

**dyaco**

岱宇國際

Stock code: 1598

**Dyaco International Inc.**  
**岱宇國際股份有限公司**

# 2022 ANNUAL REPORTS



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 <b>Attachment 2</b> Parent Financial Report audited by CPA in the most recent year.	

## I. Letter to Shareholders

Dear shareholders:

First of all, thank you for your long-term support and love for Dyaco International Inc.

The rapid spread of the COVID-19 pandemic in the world from 2020 onwards has caused an unprecedented impact on the global economy, breaking all social, political, economic and financial market forecasts, and the United States and European countries were hit harder than Asian countries.

Although the pandemic has impacted the fitness industry, it has also set off a new trend of home workout, and home fitness equipment is experiencing an unprecedented surge in demand in 2020.

However, in 2021 the global home fitness equipment market shrank due to factors such as increasing freight rates, shipping delays, and inflation, which led to consumption slowdown.

The Dyaco Group needs to increase our competitiveness and sets goals including accelerating product development, responding to market and user needs more quickly, and improving employee innovation and operational efficiency.

The following presents the Company's 2021 results of operations, 2022 business plan and future development strategy.

### 1.1 The business of 2021

#### 1. Results of business plan implementation

The global home fitness equipment market shrank due to factors such as increasing freight rates, shipping delays, and inflation, resulting a 11% decrease in 2021 overall operating revenue compared to the same period last year. At the same time, due to global raw materials and exchange rate impacts, the gross margin declined, and foreign exchange losses persisted.

Thus, the 2021 profit was not as impressive as the previous year, with net operating profit after tax of NT\$440 million and earnings per share of NT\$3.48.

#### 2. Budget execution

The Company did not disclose its financial projections for 2021, however, the overall operating conditions were affected by the economic environment and market competition and did not perform as well as the Company's internally developed business plan.

#### 3. Financial and profitability analysis

##### (1) Financial analysis

Items	2021		2020		Unit: NT \$1,000 Increase (Decrease)
	Amount	%	Amount	%	%
Net Operating Revenue	11,742,081	100%	13,123,756	100%	-11%
Operating Costs	7,684,679	65%	7,639,437	58%	1%
Gross Profit	4,057,402	35%	5,484,319	42%	-26%
Operating Expenses	3,268,732	28%	3,644,573	28%	-10%
Other Operating Income and Expenses	-2,840	-	13,164	-	-122%
Profit (Loss) from Operations	785,830	7%	1,852,910	14%	-58%
Non-Operating Income and Expenses	-236,684	-2%	-198,006	-2%	20%
Profit (Loss) before Income Tax	549,146	5%	1,654,904	13%	-67%
Income Tax Expenses (Benefit)	104,956	1%	336,848	3%	-69%
Net Income (Loss)	444,190	4%	1,318,056	10%	-66%

## (2) Profitability analysis

Item		2021	2020
Liquidity	Current Ratio (%)	131.50	124.92
	Quick Ratio (%)	63.88	76.69
	Times Interest Earned	9.02	30.49
Operating ability	Average Collection Turnover (Times)	4.70	6.05
	Average Inventory Turnover (Times)	2.30	3.52
Profitability	Return on Total Assets (%)	3.92	13.27
	Return on Equity (%)	9.62	37.05
	Net Margin (%)	3.78	10.04
	Earnings Per Share (NT\$)	3.48	11.69

## 4. Research and development status

The Company's technology sources are based on the integrated development of its R&D team and domestic upstream manufacturers, market demand and research institutions. Through marketing personnel to get close to the market and customers, we can further understand the development trend of products and the application of new technologies and develop products and technologies. Where necessary, it hires relevant consultants for advice, and cooperates with universities and research institutions in technology development, so that the overall product development efficiency and effectiveness are faster and more effective than those of our competitors. The R&D achievements for fiscal 2021 are listed below:

- (1) TFT display modules
- (2) Facial recognition system
- (3) Bluetooth multimedia streaming
- (4) Digital training tracking system APP
- (5) Racing bike with adjustable watch stand
- (6) Vertical climber
- (7) Elliptical with multiple pedals
- (8) Fitness equipment for seniors

## 1.2 Summary of the business plan 2022

### 1. Management policy

- (1) Adhering to the core value of "brand, service and innovation," the Company develops products and creates value based on people's needs, is committed to providing consumers with simple, comfortable, and safe products, and continuously focuses on improving the quality of people's workouts and leisure life.
- (2) What we provide to our customers is not only products, but also brand belief, product creativity and after-sales service experience, to build up our relationship with our partners. Based on this framework, we continue to expand the international market share of our self-owned brands SOLE, SPIRIT and XTERRA, as well as authorized brand UFC.
- (3) Dyaco expands diversified products and brands, such as UFC Mixed Martial Arts brand for weight training, fighting and related workout, and Johnny G new flywheel for its physical therapy and elderly rehabilitation in the field of medical technology, and collaborates with STUDIO, a U.S. smart fitness content developer, to combine STUDIO's online fitness classes with

Dyaco's fitness equipment.

- (4) Do the right thing on key decisions instead of dwelling on past successes. Dyaco International Inc. will continue to be dedicated to R&D technology innovation and cooperate with the academic community in the field of medical rehabilitation equipment to extend the Company's R&D advantages. Thus, the Company's products can benefit not only the public, but also those with mobility difficulties or elders at home, and everyone can take pleasure in sports to take care of more people in need of help. After all, we need a healthy body to have a good quality of life.

## 2. Marketing policy

- (1) Build e-commerce marketing tools to increase market share outside the physical channels.
- (2) Enhance third-party sales platform materials and search engine resources to increase brand exposure in various countries.
- (3) Continuously develop brand agents in various countries and establish brand communication platforms.
- (4) Integrate the Company's official websites and fan pages to enhance the Company's image in Taiwan and increase the exposure of domestic products.
- (5) Upgrade the functionality of the Company's websites and reinforce the impression with product press releases.
- (6) Design global physical channel marketing materials in a consistent manner.

## 3. R&D policy

- (1) Actively develop new models of SPIRIT and SOLE series to increase consumer choice.
- (2) Provide consumers with practical and aesthetically pleasing products at a high price-performance ratio with a certain quality, and further introduce a smart cloud platform.
- (3) Break into the field of medical rehabilitation equipment by strengthening cooperation with academia and through cross-industry alliance and develop products for both the elderly and the mobility-impaired.
- (4) Develop a new intelligence system for light commercial and commercial models
- (5) Combine Internet of Things with wearable devices for the development of sports equipment control instruments with rich entertainment connectivity (APP software and 3C product connectivity control).

## 4. Production policy

- (1) Appropriately expand production capacity and boost production efficiency to ensure on-time delivery, quality improvement and cost reduction.
- (2) Integrate industry supply chain, improve management efficiency and quality reliability, set up information sharing mechanisms, respond quickly to end market demand, reduce inventory cost, and increase added value.

## 5. Future company development strategy

- (1) Continuous innovation of product technology

In addition to fitness equipment, Dyaco will continue to care for people, not only for the public's sports and leisure quality, but also for that of the elderly and people with limited

mobility. Therefore, the Company will continue to strengthen cooperation with academia to develop fitness and rehabilitation equipment that meets the needs of all walks of life, and to enhance the interaction between exercisers and machines through technological innovation, so that everyone is not forced to exercise, but enjoys it and can do it with ease, thus providing people with different feelings and definitions of exercise.

(2) Development of health and rehabilitation products

Due to the rise of the fitness culture and the advent of an aging society, the health and care industry has stepped out of traditional service industry and is booming with more and more applications of Internet of Things (IoT) technology, artificial intelligence (AI) and sensing technology. Dyaco has been developing safe rehabilitation equipment over a long period of time, combining R&D innovation, manufacturing technology and scale, and marketing channels to provide the world's best rehabilitation equipment, and creating new business opportunities in addition to traditional sports and fitness facilities. This year, the Company has officially launched a series of rehabilitation equipment products and has actively introduced its products into various markets to promote sales.

(3) Brand development

We are sticking to the core values of "brand, service and innovation" to provide customers with not only products, but also brand belief, product innovation and after-sales service experience to enhance the relationship with our partners. We continue to cultivate brand agents in various countries while establishing brand communication platforms to expand the international market share of our self-owned brands SOLE, SPIRIT, XTERRA and authorized brand UFC.

(4) Upholding principles and beliefs

- A. The requirements for product quality and the commitment to customers remain unchanged.
- B. Self-imposed expectation of excellence and innovation in R&D and design remains unchanged.
- C. The principle of integrating the supply chain for the mutual benefit of the customer and the supplier remains unchanged.
- D. The belief in promoting the brand and tapping into local channels to benefit more people remains unchanged.
- E. The principle of nurturing international talent and localizing the management team remains unchanged.

(5) Affected by external competitive environment, regulatory environment, and overall business environment

Although COVID-19 vaccines may help to terminate the pandemic, the disease will continue to affect the development of the global economy due to the restrictions imposed by various countries and the concern of people about the infection. The government of every country in the world must continue to provide stimulus packages to ensure that the economy can return to the conditions before the pandemic, and it is unlikely that the people around the world will return to normal life immediately with the introduction of vaccines. Many governments are heavily indebted and unable to provide fiscal stimulus while the central banks in those countries have

reached the limits of their easing monetary policies. There is no new product or innovative breakthrough to stimulate market demand. In the absence of growth momentum, the global economy can only maintain a slow recovery. There are still many risks and variables for the global economic performance in the future, and enterprises continue to face a challenging business environment which tests their response capability.

Although the global economy is affected by many uncertainties and the assessments of the economic performance in the markets around the world are still conservative, we continue to be optimistic about the Company's operations in the future. In particular, the sales explosion in this fiscal year not only helped to increase the brand's market share and awareness but enabled the Company to enhance its capabilities in the aspect of marketing, logistics, sales, and after-sales service, creating a stronger competitive edge. At the same time, the Company was able to leverage its resources and further increase its market share through the upstream and downstream integration.

Overall, with rapid market changes and rising production costs, enterprises are facing increasingly severe challenges in their operations. We believe that by adhering to the Company's core business philosophy of sustainable management and following the Company's path to steadily maneuver itself into position in the local market, we can establish corporate culture of innovation and growth, implement corporate social responsibility, take care of more people in need of help, and ultimately maintain the original competitive advantage and accumulate more strengths, so that shareholders, customers and employees can share fruitful business results.

Sincerely yours,

Chairman: Lin, Ing-Gin

General Manager: Chen, Ming-Nan

Chief Accountant Officer: Chiu, Yuan-Shen

## II. Company Overview

### 2.1 Date of incorporation: 2 June, 1990

### 2.2 Company history

Year	Key Milestones
1990	<ul style="list-style-type: none"><li>Dyaco International Inc. was established in Taipei, with a capital of NT\$5,000 thousand.</li></ul>
1993	<ul style="list-style-type: none"><li>Cash capital increase of NT\$10,000 thousand and paid-in capital of NT\$15,000 thousand after the capital increase.</li></ul>
1994	<ul style="list-style-type: none"><li>Set up a customer service center in Los Angeles, US.</li></ul>
1999	<ul style="list-style-type: none"><li>Cash capital increase of NT\$14,000 thousand and paid-in capital of NT\$29,000 thousand after the capital increase.</li></ul>
2007	<ul style="list-style-type: none"><li>Cash capital increase of NT\$71,000 thousand and paid-in capital of NT\$100,000 thousand after the capital increase.</li></ul>
2008	<ul style="list-style-type: none"><li>Cash capital increase of NT\$150,000 thousand and paid-in capital of NT\$250,000 thousand after the capital increase.</li><li>Merged with US-based Spirit Manufacturing Inc. and acquired the "SPIRIT" brand.</li><li>Started its own production by building its own factory and office building in Chuanhsing Industrial Park, Hemi Township, Changhua County.</li><li>Cash capital increase of NT\$115,100 thousand and paid-in capital of NT\$365,100 thousand after the capital increase.</li><li>Obtained ISO-9001 quality management system certification.</li></ul>
2009	<ul style="list-style-type: none"><li>Acquired the second factory in the Chuanhsing Industrial Park to expand the production capacity.</li><li>Cash capital increase of NT\$99,000 thousand, capital increase of NT\$15,800 thousand through capitalization of retained earnings and paid-in capital of NT\$479,900 thousand after the capital increase.</li></ul>
2010	<ul style="list-style-type: none"><li>Product had won the "Best Buy" award in the United States for two consecutive years.</li><li>Awarded the Innovative Product Excellence Award for the Flywheel Elliptical Machine.</li><li>Reinvested in the establishment of Dyaco (Shanghai) Trading Co., LTD. to expand the sales market in China.</li><li>Obtained ISO-13485 quality management system certification for medical device industry.</li></ul>
2011	<ul style="list-style-type: none"><li>The Flywheel Elliptical Machine won the Taiwan Excellence Award, and the Shake Weight won the Taiwan Excellence Award and Innovative Product Excellence Award.</li><li>Cash capital increase of NT\$15,000 thousand and paid-in capital of NT\$494,900 thousand after the capital increase.</li><li>Cash capital increase of NT\$15,100 thousand and paid-in capital of NT\$510,000 thousand after the capital increase.</li><li>Capital increase of NT\$137,700 thousand through capitalization of retained earnings and paid-in capital of NT\$647,700 thousand after the capital increase.</li><li>Awarded the top 500 import and export excellent companies in 2010.</li><li>Public issuance of its stock was approved by the Financial Supervisory Commission (FSC).</li><li>Listing emerging stocks were approved on Oct 24.</li></ul>
2012	<ul style="list-style-type: none"><li>The Freewheel Race Bike with Additional Exerciser won the Innovative Product Excellence Award.</li><li>Invested in the establishment of Dyaco Japan Co., Ltd. to expand the Japanese sales market.</li><li>The US logistics headquarters was officially opened.</li><li>Capital increase of NT\$33,388 thousand through capitalization of retained earnings and employee</li></ul>

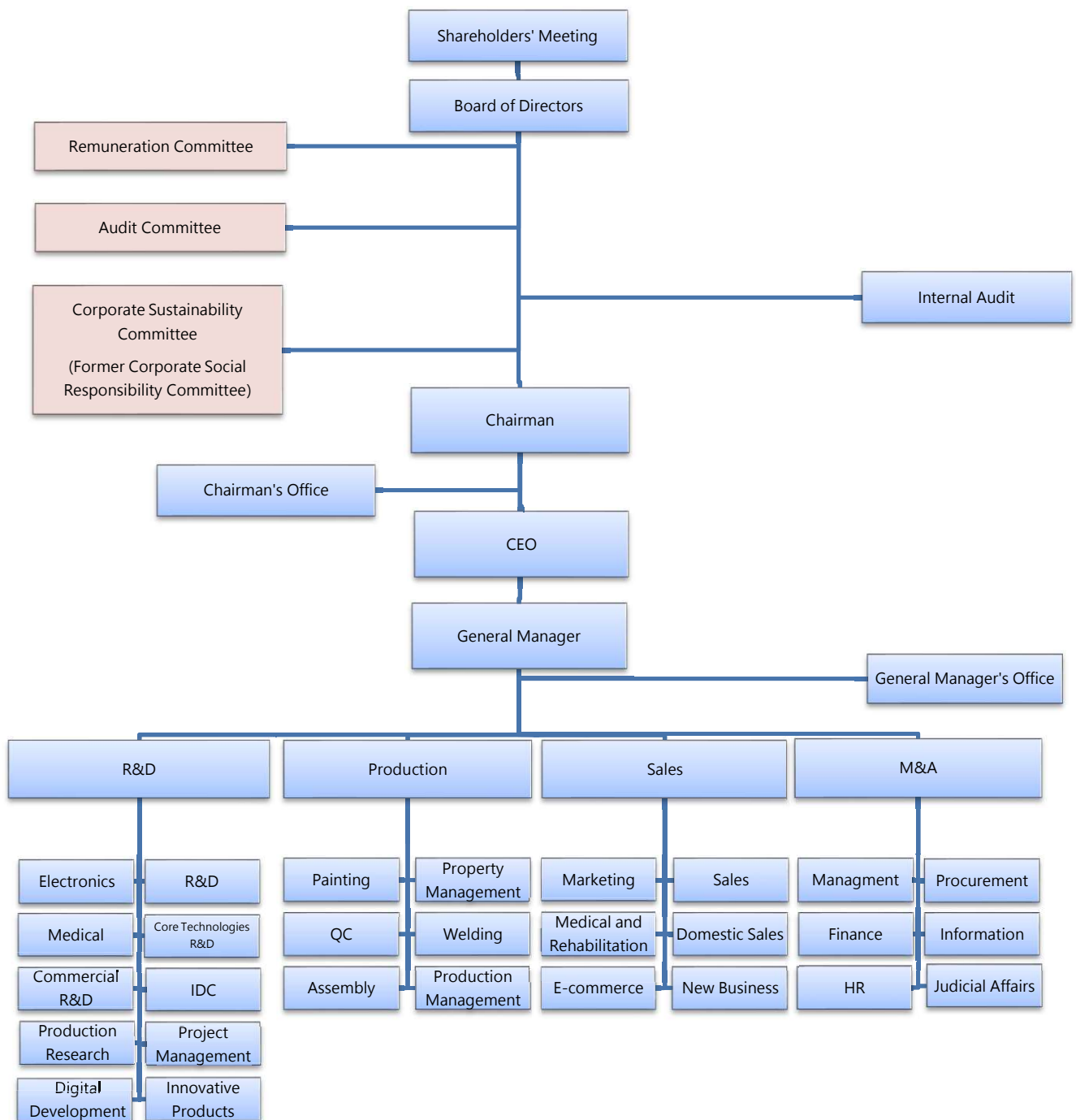
Year	Key Milestones
	bonuses and paid-in capital of NT\$681,088 thousand after the capital increase.
2013	<ul style="list-style-type: none"> <li>• Sports and fitness equipment combined with micro projector playback won the Innovative Product Excellence Award.</li> <li>• Acquired Maurice Pincoffs Canada Inc.</li> <li>• Acquired Dongguan Dayu Sports Equipment Co., Ltd.</li> <li>• Acquired Yongan Sports Technology Co., Ltd.</li> <li>• Received the third Award for Best Companies to Work for.</li> </ul>
2014	<ul style="list-style-type: none"> <li>• The Shaper won the Taiwan Excellence Silver Award.</li> <li>• The Physiological Feedback's Gait Balance Training Bike won the Innovative Product Excellence Award.</li> <li>• Invested in the establishment of Dyaco Germany GmbH to expand the European sales market.</li> </ul>
2015	<ul style="list-style-type: none"> <li>• Cash capital increase of NT\$100,000 thousand and paid-in capital of NT\$781,088 thousand after the capital increase.</li> <li>• Set up the O2O marketing model and established the Group's first physical store under the "Runners" brand.</li> <li>• Changhua Chuanhsing factory was renovated and completed, with the central region office building handed over.</li> <li>• Capital increase of NT\$39,054 thousand through capitalization of retained earnings and paid-in capital of NT\$820,142 thousand after the capital increase.</li> <li>• Established Daan Health Management Consulting Co., Ltd. to develop medical rehabilitation services business.</li> </ul>
2016	<ul style="list-style-type: none"> <li>• Signed a sole strategic partnership agreement on fitness and rehabilitation equipment with the China Institute of Sport Science.</li> <li>• The adjustable span elliptical trainer and multi-trainer - Super Wheel won the Taiwan Excellence Award.</li> <li>• All-commercial series of fitness equipment were mass-produced and available on the market.</li> <li>• 12th place in the Tiny Giant category of the CommonWealth Magazine's 2016 Excellence in CSR Award.</li> <li>• Cash capital increase of NT\$109,360 thousand and paid-in capital of NT\$929,502 thousand after the capital increase.</li> <li>• Officially listed and traded on the Taiwan Stock Exchange.</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Acquired 100% of CARDIOFitness GmbH &amp; Co. KG and CARDIOFitness Verwaltungs GmbH equity in Germany.</li> <li>• The Mountaineering Trainer and Medical Rehabilitation Treadmill won the Taiwan Excellence Award.</li> <li>• The Company issued its first domestic secured corporate bonds at NT\$600,000 thousand.</li> <li>• Acquired 60% of Shelton Corporation (Jiaxing), LTD equity.</li> <li>• 11th-20th place at the MOHW Health Promotion Administration 2017 Dynamic Workplace Creativity Gold Medal Competition.</li> <li>• The SOLE E95s elliptical machine won the 26th Excellence Award.</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Brand licensing partnership with Philips, a global health care technology company, to develop professional medical and rehabilitative fitness equipment products.</li> <li>• Established Dyaco UK Ltd. subsidiary to develop the UK and Irish sales market.</li> <li>• Established Wing Long Co., Ltd. to develop wine business.</li> <li>• The Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award.</li> <li>• Certified as a Sports Enterprise by the MOE Sports Administration.</li> </ul>
2019	<ul style="list-style-type: none"> <li>• SOLE SC300 (XS300) Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award.</li> <li>• 3rd place in the medical device and equipment industry in the 2019 Taiwan Top 5000 Regional Large</li> </ul>

Year	Key Milestones
	Enterprises Ranking by China Credit Information Service Ltd.
2020	<ul style="list-style-type: none"> <li>• Capital increase of NT\$31,133 thousand through capitalization of retained earnings and paid-in capital of NT\$960,635 thousand after the capital increase.</li> <li>• Cash capital increase of NT\$190,000 thousand and paid-in capital of NT\$1,150,635 thousand after the capital increase.</li> <li>• Set up Sole Inc., a U.S. subsidiary, to acquire 100% of Fitness Equipment Services, LLC equity in the US.</li> <li>• The Sole CC81 Cardio Climber Machine won the Taiwan Excellence Silver Award.</li> <li>• The Company issued its second domestic secured corporate bonds at NT\$603,000 thousand.</li> <li>• Merged with PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD.</li> </ul>
2021	<ul style="list-style-type: none"> <li>• Won 6th Taiwan Mittelstand Award by Ministry of Economic Affairs.</li> <li>• The ST90 Crawler Mechanical Treadmill won the Taiwan Excellence Award.</li> <li>• The Company was included in Fubon TWSE Corporate Governance 100 ETF and TWSE Corporate Governance 100 Index.</li> <li>• The Company issued its third domestic unsecured corporate bonds at NT\$1,000,000 thousand.</li> <li>• Acquired City Sport Co. Ltd and Sweatband.com Ltd.</li> </ul>

### III. Corporate Governance Report

#### 3.1 Company organization

##### 3.1.1 Company structure



### 3.1.2 Function

Department	Function
Chairman's Office	<ul style="list-style-type: none"> <li>Formulate strategies, objectives, and business operation policies.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.</li> <li>Assessment of the effectiveness of the internal control system.</li> <li>Adoption or amendment of handling procedures for financial or operational actions, such as acquisition or disposal of assets, engaging in derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.</li> <li>A matter bearing on the personal interest of a director.</li> <li>A material asset or derivatives transaction.</li> <li>The offering, issuance, or private placement of any equity-type securities.</li> <li>The hiring or dismissal of an attesting CPA, or the compensation given thereto.</li> <li>The appointment or discharge of a financial, accounting, or internal auditing officer.</li> <li>Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.</li> <li>Any other material matter required by the Company or the competent authority.</li> </ul>
Remuneration Committee	<ul style="list-style-type: none"> <li>Establishment and periodical assessment of the policies, systems, standards and structures for performance evaluation and compensation of the Company's directors and managers.</li> <li>Establishment and periodical assessment of the remuneration of the Company's directors and managers.</li> </ul>
Corporate Sustainability Committee (Former Corporate Social Responsibility Committee)	<ul style="list-style-type: none"> <li>Development of the Company's sustainable development policies.</li> <li>Establishment of sustainable development of the Company, including sustainable governance, integrity management, environmental and social objectives, strategy and implementation plan development.</li> <li>Regularly evaluate, follow up on, and amend the Company's sustainable development implementation, and report to the Board of Directors.</li> <li>Address the concerns of various stakeholders, including shareholders, customers, suppliers, employees, governments, non-profit organizations, communities, and the media, and oversee communication plans.</li> <li>Review of reports.</li> <li>Any other matters assigned by the Board of Directors.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>Responsible for business implementation assessments, audits, supervision, and recommendations for improvement of various departments.</li> </ul>
General Manager's Office	<ul style="list-style-type: none"> <li>Coordinate the Company's business strategy, business planning, business policy formulation, investment planning and control.</li> <li>Evaluate and control the operational status and internal control of each department, and manage the implementation, planning and coordination of the Company's overall business.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>Plan and implement the Company's financial management and fund dispatching business.</li> <li>Plan and implement investment related operations.</li> <li>Carry out the business related to customer credit and limit control.</li> <li>Plan and summarize the total annual budget-related operations.</li> <li>Accounting operations and preparation, analysis, control, and presentation of accounting statements.</li> <li>Tax planning and declaration procedures.</li> </ul>
Management	<ul style="list-style-type: none"> <li>Personnel, administration, general affairs, information, and fixed assets management and promotion.</li> <li>Planning and implementation of staff education and training.</li> <li>The formulation and implementation of administrative management processes, measures, and systems.</li> </ul>

Department	Function
	<ul style="list-style-type: none"> <li>Occupational safety and health, environmental safety, gender work environment security, migrant workers and other related operations and management.</li> <li>Matters related to internal ISO audit and related data file management.</li> </ul>
Information	<ul style="list-style-type: none"> <li>Provide information hardware and software network, database maintenance and other services.</li> <li>Development and maintenance of enterprise application system and introduction of new information technology.</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Basic information establishment and evaluation of suppliers.</li> <li>Price inquiry, comparison, negotiation and ordering of raw materials.</li> <li>Raw material delivery management and control.</li> <li>Processing of outsourcing operations.</li> </ul>
Sales (Sales, Department Stores, Domestic Sales, and Medical and Rehabilitation)	<ul style="list-style-type: none"> <li>Plan and implement the achievement of business objectives.</li> <li>Product profit margin and sales price setting.</li> <li>Customer development and management.</li> <li>Customer quotation and order acceptance review and management.</li> <li>Accounts receivable collection, customer service and complaint handling, sales and production coordination.</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>Market information collection, analysis and feedback to keep abreast of market dynamics.</li> <li>Plan and implement marketing strategy.</li> <li>Product image presentation, advertising production and domestic and international exhibitions.</li> </ul>
Production (Welding, Painting, and Assembly)	<ul style="list-style-type: none"> <li>Draft and implement production plans and keep tabs on production progress.</li> <li>Production line process SOP and staff training.</li> <li>Use and management of raw materials.</li> <li>Machinery and equipment maintenance.</li> </ul>
Property Management	<ul style="list-style-type: none"> <li>Coordinate the arrangement of raw materials and product import, export, and delivery control.</li> <li>Coordinate the inventory management and record of products.</li> </ul>
Production Management	<ul style="list-style-type: none"> <li>Production planning and capacity calculation.</li> <li>Develop material requirements.</li> <li>Arrange and control the production schedule.</li> <li>Handling of production and marketing, delivery date, output, and other related matters.</li> </ul>
Quality Control	<ul style="list-style-type: none"> <li>Planning and implementation of company-wide quality assurance.</li> <li>Quality inspection and control.</li> <li>Customer complaint handling.</li> <li>Analysis and improvement of the causes of quality abnormalities.</li> </ul>
R&D	<ul style="list-style-type: none"> <li>Draw up R&amp;D plan process and schedule.</li> <li>Product design, trial production and reliability verification.</li> <li>Integrated production management of technical documents and patent application.</li> <li>Fabrication and management of molds, gauges, and jigs.</li> <li>Production process planning, engineering specification formulation, production procedure formulation, production process and technology retrofitting, document management and control, etc.</li> </ul>

### 3.2 Information on directors, supervisors, president, vice president, assistant vice president, and heads of departments and branch offices

#### 3.2.1 Director and supervisor information:

29 March 2022; Units: Shares

Title	Name	Gender/ Age	Nationality or Country of registration	Date of first appoint ment	Date of appointm ent	Office term	Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chair man	Lin, Ing- Gin	Male /61-70 years old	ROC	1990.6.2	2020.5.28	3	10,063,283	8.74%	10,053,283	7.53%	663,787	0.50%	22,432,841	16.81%	Bachelor of Department of Public Health, National Taiwan University Master of Professional Accounting, University of Texas Founder of Dyaco Internationa l Inc	Director of Dyaco International Holding Limited Director of Fuel Spirit International Inc. Director of Dyaco Canada Inc. Director of Dyaco (Shanghai) Trading Co., LTD. Director of Dyaco UK Ltd. Director of President Plastic Products MFG. Co., Ltd. President of CHIH- LING INVESTMENT CORPORATION President of Yunhen Investment Inc. President of Wing Long Co., Ltd.				

Title	Name	Gender	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term	Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Zhuang, Zhu-Wei	Female/ 51-60 years old	ROC	2020.5.28	2020.5.28	3	538,000	0.46%	1,000,000	0.74%	-	-	-	-	Bachelor of Department of Fiber and Composite Materials, Feng Chia University General Manager of CHANITEX CO., LTD.	Director of CHANITEX CO., LTD. General Manager of CHANITEX CO., LTD.	-	-	-	-
Director	Chang, Chih-Chuan (Note 1)	Male/ 51-60 years old	ROC	2015.6.26	2020.5.28	3	189,000	0.16%	123,093	0.09%	121,803	0.09%	-	-	EMBA of Tunghai University Chairman of Houli Construction Co., Ltd.	Chairman of Houli Construction Co., Ltd.	-	-	-	-

Title	Name	Gender	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term		Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark (Note)
						Shares	%	Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Hsieh, Chang-Hung/ 71-80 years old	Male	ROC	2011.12.9	2020.5.28	-	-	-	-	-	-	-	-	-	-	Professor, Department of Management Science, National Chiao Tung University Director, Department of Management Science, National Chiao Tung University Deputy Chief Secretary of National Science Council Head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transoprtation and Communication President of IBF Securities Investment Consulting General Manager of IBF Securities Investment Consulting	-	-	-	-	

Title	Name	Gender	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term		Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark (Note)
						Shares	%	Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Wang, Kai-Li/ 51-60 years old	Male	ROC	2011.12.9	2020.5.28	3		-	-	-	-	-	-	-	-	PhD of Economics Sciences, Utah State University Adjunct Associate Professor, Department of Financial, National Chung Hsing University Associate Professor, Department of Financial, Tunghai University Director, Department of Financial, Tunghai University Director, Department of Financial, Tunghai University Director of EMBA of Tunghai University Committee financial member of Taiwan Economic Association	Professor, Department of Financial, Tunghai University Chairman of Taiwan Financial Development Association Independent Director of Ginko International Co., Ltd. Independent Director of AKER Co., Ltd.	-	-	-	

Title	Name	Gender	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term	Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Wang, Chih-Cheng/ 51-60 years old	Male	ROC	2017.5.26	2020.5.28	3	-	-	-	-	-	-	-	-	Adjunct Professor, School of Law, National Cheng Kung University Committee member of Foundation of Finance PhD of College of Law, National Chengchi University	Independent Director of CTBC Financial Holding Co., Ltd. Independent Director of Lucky Cement Corporation Director of The Securities and Futures Investors Protection Center Director of The Financial Ombudsman Institution Arbitrator of Chinese Arbitration Association Department head, Department of law, Chinese Culture University Distinguished Professor, College of Law, National Chung Cheng University Adjunct Professor, School of Law, Soochow University	-	-	-	-

Title	Name	Gender	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term		Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark (Note)
						Shares	%	Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Liao, Liang-Bin (Note 2)	Male/ 51-60 years old	ROC	2020.5.28	2020.5.28	3		1,017,492	0.88%	1,017,492	0.76%	-	-	-	-	Bachelor of Department of Business Administration, Soochow University Director of IBASE Technology INC. Chairman of IBASE Gaming INC.	Chairman of IBASE Gaming INC.	-	-	-	-

Note 1 : Director Chang, Chih-Chuan has been a supervisor of the 9th term at the Company and was appointed on June 26, 2015. Because the Company replaced the supervisors with the audit committee when the directors of the 10th term were elected, he was not elected as a member of the board of the 10th term.

Note 2 : Director Liao, Liang-Bin resigned on November 15, 2021.

Note 3 : In terms of the experience related to the current position, if a person has worked at a CPA firm which performed audits or an associate, his job title and responsibilities shall be specified here: None.

Note 4 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed: None.

3.2.1.1 Major Shareholders of Corporate Shareholder: None.

3.2.1.2 Major Shareholders of Major Shareholders of Corporations: None.

3.2.1.3 Professional Qualifications and Independence Analysis of Directors:

Qualifications Position Name	Professional qualifications and experience (Note 1 and 2)	Independence (Note 3)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
Lin, Ing-Gin	Founding father has more than 20 years of experience in managing public trading and multi-national conglomerate. On top of his excellent leadership and strategic management skills, being an expert in fintech industry help foreseeing industry trends and development.	(1) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	-
Zhuang, Zhu-Wei	Being a director and CEO of CHANITEX Co., LTD, chairman of CHANITEX Education Foundation, and independent directors of many listed companies has come with excellent decision making and business management skills in a wide variety of industries.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	1
Chang, Chih-Chuan	Owner of Houli Construction Company Ltd., has developed excellent professional and business operation skills over these years of hands-on.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	-
Hsieh, Chang-Hung	Served in Deputy Chief Secretary of National Science Council Head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transportation and Communication, President and General Manager of IBF Securities Investment Consulting, has come with excellent corporate governance experiences.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	-
Wang, Kai-Li	Served in Professor, Department of Financial, Tunghai University, Chairman of Taiwan Financial Development Association, Independent Director of Ginko International Co., Ltd. Independent Director of AKER Co., Ltd, has come with excellent financial and corporate governance experiences.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	2
Wang, Chih-Cheng	Served in director of The Securities and Futures Investors Protection Center, director of The Financial Ombudsman Institution, Arbitrator of Chinese Arbitration Association, Department head, Department of law, Chinese Culture university and independent directors of many listed companies, has come with excellent legal and corporate governance experiences.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	3
Liao, Liang-Bin (Note 4)	Chairman of IBASE Gaming INC., has come with excellent decision making and business management skills in a wide variety of industries.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	-

Note 1: Professional qualifications and experience: Details the professional qualifications and experience of individual director. Those who are members of the Audit Committee and who possess accounting or financial expertise should clearly explain their accounting or finance background and work experience.

Note 2: The matters stipulated in all paragraphs of Article 30 of the Company Act do not describe the directors mentioned above. For the academic experiences and position information of the Directors, please refer to 3. Corporate Governance Report (II) Information on directors, supervisors, presidents, vice presidents, assistant managers, and managers of each department and branch:

Note 3: The independent directors shall explain their compliance of independence, including, but not limited to, whether the person,

person's spouse, or their relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates. The shareholdings of the person, person's spouse, or relative within the second degree of kinship (or using the name of others) and the ratio. Whether the person serves as a director, supervisor, or employee of companies with specific relationships with the Company (refer to Items 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The remuneration received for providing business, legal, financial, or accounting services to the Company or its affiliated enterprises in the most recent 2 years. Independence of Directors and Independent Directors in the two years before appointment and during their term. Those who comply will be disclosed above.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Directors and supervisors who are not part of the Company or its affiliated companies (except if the Company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings. (
- (4) Not a manager in (1) or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of personnel in (2) and (3).
- (5) Not directors, supervisors or legal shareholders who directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (8) Not directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C

Note 4 : Director Liao, Liang-Bin resigned on November 15, 2021.

Note 5 : The diversity and Independence of the Board of Director :

- (1) The diversity of the Board of Director : Please refer to 3.7.3.
- (2) Independence of the Board of Directors: The Board of Directors consists of seven members, including three independent directors and four directors (43% and 57% of the total number of directors, respectively). A spousal relationship or a familial relationship within the second degree of kinship does not exist among directors. Therefore, it complies with the requirements of Article 26-3, paragraph 3 of the Securities and Exchange Act.

### 3.2.2 President, Executive Vice Presidents, and Senior Vice Presidents of Divisions

29 March 2022; Units: Shares

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Executive Officer	Hsu, Wen-Bin	Male	ROC	2021.01.01	204,342	0.15%	35,638	0.03%	-	-	Founder of Hsumao Industrial Co., LTD. Executive Assistant of Dyaco International Inc.	-	-	-	-	-
Chief Operating Officer	Tseng, Yu-Hsiang	Male	ROC	2022.03.09							Concordia University B.A Economic Sales Director, Suzhou Zhongyao Technology Co., Ltd. Senior Sales Manager, KINPO ELECTRONICS, INC.	-	-	-	-	-
President	Chen, Ming-Nan	Male	ROC	2017.07.12	702,586	0.53%	266,930	0.20%	-	-	EMBA, Feng Chia University Vice President, the R&D Department of Dyaco International Inc.	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Executive V.P. and Chief Financial Officer	Wu, Mei-Hua	Female	ROC	1998.05.01	272,198	0.20%	4,326	0.00%	-	-	EMBA, National Taipei University Accounting Officer, HOE HIN PAK FAH YEOW MANUFACTORY LIMITED Vice President, the Financial Department of Dyaco International Inc.	Supervisor of Dyaco (Shanghai) Trading Co., Ltd. Director of Yong-Heng Investment Corp Director of Chih-Ling Investment Corp President of Daan Health Management Consulting Co., Ltd. Director of Wing Long Co., Ltd. Supervisor of Shelton Corporation (Jiaxing), Ltd. Supervisor of PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD.	-	-	-	-
Executive V.P.	Li, Chi-Jung	Male	ROC	2014.01.01	7,209	0.01%	743	0.00%	-	-	President, Tung Keng Enterprise Co., Ltd.	-	-	-	-	-
Chief Technology Officer	Brian Keith Murray	Male	US	2008.04.22	34,243	0.03%	23,151	0.02%	-	-	BSEE Degree from New York Institute of Technology Supervisor, Cybex engineering Vice President, Diamondback Fitness	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior V.P. of Production Department	Lo, Teng-I	Male	ROC	2017.09.01	296,303	0.22%	45,303	0.03%	-	-	Bachelor of Chienkuo Technology University Vice General Manager, the Production Department of Dyaco International Inc.	-	-	-	-	-
Senior V.P. of Sales Department	Hsu, Li-Wen	Female	ROC	1999.07.07	88,687	0.07%	-	-	-	-	EMBA, Tunghai University General Manager, the Sales Department of Dyaco International Inc.	-	-	-	-	-
Senior V.P. of Financial Department Chief Accountant Officer Chief of Corporate Governance Affairs	Chiu, Yuan-Sheng	Male	ROC	2013.12.27	123,582	0.09%	-	-	-	-	Master of the Department of Financial, Shih Hsin University Manager, the underwriting of TISC Pricewaterhousecoopers Taiwan	Supervisor of Wing Long Co., Ltd. Supervisor of Daan Health Management Consulting Co., Ltd.	-	-	-	-
Senior V.P. of R&D Department	Huang, Hsuan-Fu	Male	ROC	1997.07.23	236	0.00%	-	-	-	-	Taichung Municipal Wufeng Agricultural and Industrial High School General Manager, the R&D Department of Dyaco International Inc.	-	-	-	-	-
Senior V.P. of Sales Department	Huang, Yu-Chih	Female	ROC	2013.03.05	78,913	0.06%	-	-	-	-	Master of Japanese, Soochow University General Manager, the Sales Department of Dyaco International Inc.	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior V.P. of Medical Rehabilitation Department	Lin, Shih-Chieh	Male	ROC	2013.03.05	8,000	0.01%	-	-	-	-	MBA, University of North Alabama Director of Chungwa Yuming Healthcare Co., Ltd. Sales Manager, ZUELLIG PHARMA, INC.	Director of Daan Health Management Consulting Co., Ltd.	-	-	-	-
V.P. of Management Department	Lin, Wei-Hsu	Male	ROC	2008.05.12	9,189	0.01%	2,439	0.00%	-	-	Master of Business and Information, Hua Fan University Supervisor, the Warehousing Department of SOLE ENERGY TECH CORP. Manager, the Operational Department of ACTI CORPORATION	-	-	-	-	-
V.P. of Production Management Department	Li, Mei-Yu	Female	ROC	2012.08.16	3,620	0.00%	-	-	-	-	Bachelor of Chemical Engineering, Cheng Shiu University General Manager, the Production Management Department of Dyaco International Inc.	-	-	-	-	-
V.P. of Legal and Patent Affairs Department	Li, Che-Jung	Male	ROC	2013.06.19	-	-	-	-	-	-	Bachelor of Chemical Engineering, Feng Chia University Patent senior engineer of Starconn Electronics	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
V.P. of Accounting Department	Wu, Shu-Mei	Female	ROC	2016.09.01	22,362	0.02%	-	-	-	-	Master of Accounting, Tamkang University	-	-	-	-	-
V.P. of Sales Department	Ho, Chieh-Shun	Male	ROC	2017.09.20	11,000	0.01%	-	-	-	-	Master of Business Administration, Manchester Business School President, the Taiwan branch of Gerage Jemnen EMBA, International Business of National Taiwan University Director, JT TOBACCO INTERNATIONAL TAIWAN CORP. Spokesperson, JT TOBACCO INTERNATIONAL TAIWAN CORP. General Manager, LIULIGONGFANG	-	-	-	-	-
V.P. of Procurement Department	Li, Tai-Lan	Female	ROC	2018.11.01	21,435	0.02%	22,669	0.02%	-	-	Bachelor of Business Administration, Chienkuo Technology University	-	-	-	-	-

Note 1 : Where the president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed: None.

Note 2 : In terms of the experience related to the current position, if a person has worked at a CPA firm which performed audits or an associate, his job title and responsibilities shall be specified here: None.

### 3.2.3 Remuneration of Directors, Supervisors, Presidents, and Vice Presidents for the most recent year

#### 3.2.3.1 Remuneration of Directors and Independent Directors

Unit: NT\$1,000; 1,000 Shares; %

Title	Name	Remuneration						The Aggregate of A, B, C, and D as Percentage of Net Income		Relevant Remuneration Received by Who are also Employees				The Aggregate of A, B, C, D, E, F and G as Percentage of Net Income		Any Other Compen sations from Other Investees or Parent Comany
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors' Compensation (C) (Note 1)										
		From Dyaco	From All Consoli dated Entities	From Dyaco	From All Consoli dated Entities	From Dyaco	From All Consoli dated Entities	From Dyaco	From All Consoli dated Entities	From Dyaco		From All Consoli dated Entities				
Chairman	Lin, Ing-Gin			-	-	500	500			-	-	-	-	-	-	-
Director	Zhuang, Zhu-Wei	-	-	-	-	150	150			-	-	-	-	-	-	-
Director	Chang, Chih-Chuan	-	-	-	-	150	150			-	-	-	-	-	-	-
Independent Director	Hsieh, Chang-Hung	600	600	-	-	400	400			-	-	-	-	-	-	-
Independent Director	Wang, Kai-Li	600	600	-	-	400	400			-	-	-	-	-	-	-
Independent Director	Wang, Chih-Cheng	600	600	-	-	400	400			-	-	-	-	-	-	-
Director	Liao, Liang-Bin (Note 1)	-	-	-	-	-	-			-	-	-	-	-	-	-

Note 1 : Director Liao, Liang-Bin resigned on November 15, 2021.

Note 2 : Please describe the policies, systems, standards, and structure of independent directors' remuneration, and explain the relevance with the amount of remuneration based on their responsibilities, risks, and time investment: Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the directors of the Company shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's Board of Directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of directors shall be determined by the Remuneration Committee regarding the extent of their participation in and contribution to the operations, with the reasonable fairness of performance risks linked to the compensation received, and the Board of Directors authorized to make payments in accordance with the Remuneration Committee's assessment and the usual standards of the industry.

a. To prioritize the interests of shareholders and employees based on the current year's operating results. The remuneration to directors is NT\$2,000,000 based on 0.36% of the net profits for 2021, which is lower than the remuneration to employees

b. The remuneration to independent directors is higher than that to the directors because they serve as members of functional committees and have the responsibility to participate in discussions and resolutions at committee meetings.

Note 3 : Except for the disclosure above, remuneration paid to the Company's directors for their services to all the companies listed in the financial statements (e.g., serving as a non-employee adviser): None.

**Remuneration Range Table**

Bracket	Name of Directors			
	The Aggregate of A, B, C, and D		The Aggregate of A, B, C, D, E, F, G, H and I	
	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities
Under NT\$ 1,000,000	Liao, Liang-Bin Zhuang, Zhu-Wei Chang, Chih-Chuan	Liao, Liang-Bin Zhuang, Zhu-Wei Chang, Chih-Chuan	Liao, Liang-Bin Zhuang, Zhu-Wei Chang, Chih-Chuan	Liao, Liang-Bin Zhuang, Zhu-Wei Chang, Chih-Chuan
NT\$1,000,000 ~ NT\$2,000,000	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng
NT\$2,000,000 ~ NT\$3,500,000	-	-	-	-
NT\$3,500,000 ~ NT\$5,000,000	-	-	-	-
NT\$5,000,000 ~ NT\$10,000,000	Lin, Ing-Gin	Lin, Ing-Gin	Lin, Ing-Gin	Lin, Ing-Gin
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

### 3.2.3.2 Remuneration of President and Vice President

Unit: NT\$1,000; 1,000 Share

Title	Name	Base Compensation (A)		Severance Pay and Pensions (B)		Bonuses and Special Allowances (C)		Employees' Compensation (D)				The Aggregate of A, B, C, and D as Percentage of Net Income		Any Other Compensati ons from Other Investees or Parent Comany
		From Dyaco	From All Consolidate d Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	Cash	Stock	From Dyaco	From All Consolidated Entities	
Chief Executive Officer	Hsu, Wen-Bin													
President	Chen, Ming-Nan													
Executive V.P.	Wu, Mei-Hua													
Executive V.P.	Li, Chi-Jung													
Seinor V.P.	Hsu, Li-Wen													
Seinor V.P.	Huang, Hsuan-Fu	16,060	16,060	709	709	2,446	2,446	-	4,318	-	4,318	5.29%	5.29%	-
Seinor V.P.	Huang, Yu-Chih													
Seinor V.P.	Chiu, Yuan-Sheng													
Seinor V.P.	Lin, Shih-Chieh													
Seinor V.P.	Lo, Teng-I													
Chief Technology Officer	Brian Keith Murray													

Note : Tseng, Yu-Hsiang was promoted to Chief Operating Officer on March 9, 2022.

**Remuneration Range Table**

Bracket	Name of President and Vice President	
	From Dyaco	From All Consolidated Entities
Under NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$2,000,000	Chiu, Yuan-Sheng Wu, Mei-Hua Lin, Shih-Chieh Huang, Hsuan-Fu Lo, Teng-I	Chiu, Yuan-Sheng Wu, Mei-Hua Lin, Shih-Chieh Huang, Hsuan-Fu Lo, Teng-I
NT\$2,000,000 ~ NT\$3,500,000	Hsu, Wen-Bin Chen, Ming-Nan Brian Keith Murray Li, Chi-Jung Wu, Mei-Hua Hsu, Li-Wen Huang, Yu-Chih	Hsu, Wen-Bin Chen, Ming-Nan Brian Keith Murray Li, Chi-Jung Wu, Mei-Hua Hsu, Li-Wen Huang, Yu-Chih
NT\$3,500,000 ~ NT\$5,000,000	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	12	12

Note : Tseng, Yu-Hsiang was promoted to Chief Operating Officer on March 9, 2022.

**3.2.3.3. Name of executive officers that received employee bonuses and status of the distribution**

Title	Name	Stock	Cash	Total	Ratio accounted compared to the total net income (%)
President	Chen, Ming-Nan	-	2,345	2,345	0.53%
Executive V.P.	Wu, Mei-Hua				
Executive V.P.	Li, Chi-Jung				
Seinor V.P.	Lo, Teng-I				
Seinor V.P.	Hsu, Li-Wen				
Seinor V.P.	Huang, Hsuan-Fu				
Seinor V.P.	Chiu, Yuan-Sheng				
Seinor V.P.	Lin, Shih-Chieh				
Seinor V.P.	Huang, Yu-Chih				
Chief Technology Officer	Brian Keith Murray				
V.P.	Lin, Wei-Hsu				
V.P.	Li, Che-Jung				
V.P.	Li, Mei-Yu				
V.P.	Wu, Shu-Mei				
V.P.	Ho, Chieh-Shun				
V.P.	Li, Tai-Lan				

Note : Tseng, Yu-Hsiang was promoted to Chief Operating Officer on March 9, 2022.

3.2.4 Compare and describe separately the analysis of total remunerations paid to the Company's directors, supervisors, president, and vice presidents for the past two years by the Company and all companies in the consolidated report as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance and future risks:

3.2.4.1 The analysis of total remunerations paid to the Company's directors, supervisors, president, and vice presidents for the past two years as a percentage of the net income after tax

Unit:NT1,000;%

Items	2020				2021			
	From Dyaco		From All Consolidated Entities		From Dyaco		From All Consolidated Entities	
	Total Amount	Ratio of the total remuneration to net income after tax	Total Amount	Ratio of the total remuneration to net income after tax	Total Amount	Ratio of the total remuneration to net income after tax	Total Amount	Ratio of the total remuneration to net income after tax
Directors' remuneration	13,304	1.02%	13,304	1.02%	11,317	2.56%	11,317	2.56%
President and Vice Presidents' remuneration	34,752	2.63%	34,752	2.63%	23,533	5.29%	23,533	5.29%

Note : The Audit Committee was established on May 26, 2017 to replace Supervisors.

A significant decrease in total remunerations paid to the Company's directors, supervisors, president, and vice presidents as a result of a significant decrease in net income for the year.

3.2.4.2 The correlation among the remuneration payment policy paid to directors, supervisors, president, and vice presidents, standards and combination, remuneration establishing procedures, and management performance

A. The Company has a Remuneration Committee which establishes and regularly reviews the policies, systems, standards and structures for the annual and long-term performance evaluation and compensation of directors and managers.

B. The remuneration paid by the Company to the directors in 2021 refers to the remuneration of the directors for the performance of their business, or employee's compensation for part-timers and the compensation of the directors allocated. In the event of moral hazard, other adverse events that may impair the Company's reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to directors shall be adjusted with respect to their participation in and contribution to the operations. The Board of Directors is authorized to distribute compensation in accordance with the Remuneration Committee's assessment and the typical pay levels adopted by peer companies.

The Articles of Incorporation states that directors can be paid up to 5% of net profits as remuneration. Therefore, the Company follows the provisions of the Remuneration Committee's charter and the remuneration reviewed by the Committee is as follows.

a. The remuneration to directors is NT\$2,000,000 based on 0.36% of the net profits for 2021, which is lower than the remuneration to employees. To prioritize the interests of shareholders and employees based on the current year's operating results. The

remuneration to directors is NT\$2,000,000 based on 0.36% of the net profits for 2021, which is lower than the remuneration to employees

b. The remuneration to independent directors is higher than that to the directors because they serve as members of functional committees and have the responsibility to participate in discussions and resolutions at committee meetings.

C. The remuneration of the president and vice presidents (grade) is based on salary, bonus and employee bonus, the first two of which are determined in accordance with the Company's personnel regulations, while the last one is subject to the earnings for the year of distribution and the Company's Articles of Incorporation. In the event of moral hazard, other adverse events that may impair the Company's reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to managers shall be adjusted with respect to their participation in and contribution to the operations. Such compensation is determined according to the position held, the responsibility assumed, and the extent of contribution made to the Company, and by reference to the typical pay levels for similar positions set in the industry. The Company's 2021 pre-tax profit before distribution to employees amounted to NT\$ 551,836,774. The amount of remuneration distributed to employees at 1% shall be NT\$ 5,518,368 respectively, according to the Article 24 of the Company's Articles of Incorporation. 42% of employees amounted are the remuneration of the president and vice presidents.

### 3.3 Implementation of corporate governance

#### 3.3.1 The Board meeting status

1. Ten Board meetings were convened in 2021 (A). The directors' attendance status is as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Chairman	Lin, Ing-Gin	10	-	100%	-
Director	Liao, Liang-Bin	6	-	75%	Resigned on November 15, 2021. Should attend 8 Board meetings.
Director	Zhuang, Zhu-Wei	10	-	100%	-
Director	Chang, Chih-Chuan	10	-	100%	-
Independent Director	Hsieh, Chang-Hung	10	-	100%	-
Independent Director	Wang, Kai-Li	10	-	100%	-
Independent Director	Wang, Chih-Cheng	10	-	100%	-

2. Other required notes for the meetings:

- 3.3.1.1 In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, opinions from all independent directors, and the Company' s responses to their opinions should be noted:

1. Matters listed in the Securities and Exchange Act §14-3.

Board Meeting Date	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
The 5 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on March 4, 2021	(1). Amendment to handling procedures for acquisition or disposal of assets.	None
	(2). Amendment to the rules governing the proceedings of shareholders meetings.	None
	(3). Adoption of endorsements/guarantees procedures for President Plastic Products MFG. Co., Ltd.	None
	(4). Appointment of dedicated chop and custodian for endorsements/guarantees of President Plastic Products MFG. Co., Ltd.	None
	(5). President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company.	None
	(6). The Company made endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(7). The establishment of the eco-friendly paper containers company.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 6 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on March 30, 2021	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Approval of 2020 annual financial statements and business report.	None
	(3). Approval of 2020 statement of internal control system.	None
	Independent directors' opinions: None.	

	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 7 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on May 4, 2021	(1) The Company issued the third domestic unsecured convertible corporate bonds.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 8 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on May 14, 2021	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Approval of 2021 the first quarter consolidated financial statements.	None
	(3). Adjustment of the ceilings on the amounts President Plastic Products MFG. Co., Ltd. was permitted to make endorsements/guarantees for the Company.	None
	(4). Change of dedicated chop and custodian for endorsements/guarantees of President Plastic Products MFG. Co., Ltd.	None
	(5). Spirit Manufacturing Inc. underwrote a capital increase of subsidiary Spirit Direct, LLC.	None
	(6). Adoption of handling procedures for acquisition or disposal of assets for President Plastic Products MFG. Co., Ltd.	None
	(7). The Company acquired right-of-use asset from President Plastic Products MFG. Co., Ltd.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 9 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on June 28, 2021	(1). The Company made endorsements/guarantees for sub-subsidiary Fuel Spirit International Inc. (Mauritius).	None
	(2). The Company made loans to sub-subsidiary CARDIO Fitness.	None
	(3). Construction of the plant in Taichung Dajia.	None
	(4). Spirit Manufacturing Inc. expanded warehouses and office premises.	None
	(5). Donation to Chinese Taipei Football Association.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 10 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on August 11, 2021	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Approval of 2021 the second quarter consolidated financial statements.	None
	(3). The Company made endorsements/guarantees for subsidiary President Plastic Products MFG. Co., Ltd.	None
	(4). Investment in City Sport Co., Ltd (Thailand).	None
	(5). Investment in Morsel, Inc.	None
	(6). Adjustment of group investment structure.	None
	(7). Capitalization of brand licensing renewal in accordance with accounting principles.	None
	Independent directors' opinions: None.	

	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 2 <sup>nd</sup> special meeting of the 11 <sup>th</sup> Board on September 29, 2021	(1). The fourth buyback of treasury stock.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 11 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on November 12, 2021	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3). Approval of 2021 the third quarter consolidated financial statements.	None
	(4). The Company underwrote a capital increase of subsidiary Wing Long Co., Ltd.	None
	(5). The Company cancelled endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(6). Amendment to endorsements/guarantees procedures for President Plastic Products MFG. Co., Ltd.	None
	(7). The Company made endorsements/guarantees for subsidiary Cikayda Inc.	None
	(8). Adjustment of the ceilings on the amounts of collateral President Plastic Products MFG. Co., Ltd. provided to the Company.	None
	(9). President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for subsidiary Cikayda Inc.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 12 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on November 29, 2021	(1). Acquisition of UK online sports and fitness equipment seller Sweatband.com Ltd.	None
	(2). The Company made endorsements/guarantees for sub-subsidiary CARDIO Fitness.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 13 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on December 28, 2021	(1). The Company made loans to subsidiary City Sport Co., Ltd (Thailand).	None
	(2). The Company made loans to subsidiary Sweatband.com Ltd.	None
	(3). Amendment to the Company' s internal control policies and internal audit procedures.	None
	(4). The Company cancelled endorsements/guarantees for subsidiary Dyaco UK Ltd.	None
	(5). 2021 Assessment of independence of CPAs.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	

2. Besides the above-mentioned matters, other resolutions of the Board of Directors on which independent directors had dissenting or qualified opinions, and that were documented or issued through written statements: None.

### 3.3.1.2 The Board of Directors reports on the implementation of corporate governance

Board Meeting Dates	Corporate Governance Implementation Status	Attendance and Directors' Response
The 6 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on March 30, 2021	(1). Report: Communication between governance unit and CPAs for the first quarter of 2021. (2). Report: Communication between governance unit and internal auditors for the first quarter of 2021.	All directors present at the meeting acknowledged resolutions.
The 13 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on December 28, 2021	(1). Report: Corporate Social Responsibility (CSR) implementation status in 2021. (2). Report: Ethical Corporate Management implementation status in 2021. (3). Report: Stakeholder reporting and communication in 2021. (4). Report: Status of the intellectual property management scheme in 2021. (5). Report: Implementation of risk management policies in 2021.	All directors present at the meeting acknowledged resolutions.

### 3.3.1.3 In the event of recusals of directors due to conflicts of interests, the name of the directors, the motion, the grounds for recusal and the participation in voting should be noted:

Name	Date	Motion	Grounds for Recusal	Participation in Voting
Lin, Ing-Gin, Liao, Liang-Bin, Zhuang, Zhu-Wei, Chang, Chih-Chuan, Hsieh, Chang-Hung, Wang, Kai-Li, Wang, Chih-Cheng	The 6 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on March 30, 2021	Approval of 2020 distribution of employees' and directors' compensation	Lin, Ing-Gin, Liao, Liang-Bin, Zhuang, Zhu-Wei, Chang, Chih-Chuan, Hsieh, Chang-Hung, Wang, Kai-Li, and Wang, Chih-Cheng were interested parties.	Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on resolutions of the Remuneration Committee.
Lin, Ing-Gin, Zhuang, Zhu-Wei, Chang, Chih-Chuan, Hsieh, Chang-Hung, Wang, Kai-Li, Wang, Chih-Cheng	The 13 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on December 28, 2021	Approval of 2021 distribution of employees' and directors' compensation	Lin, Ing-Gin, Zhuang, Zhu-Wei, Chang, Chih-Chuan, Hsieh, Chang-Hung, Wang, Kai-Li, and Wang, Chih-Cheng were interested parties.	Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on resolutions of the Remuneration Committee.

### 3.3.1.4 An evaluation of targets for strengthening the functions of the Board of Directors during the current and immediately preceding fiscal year (e.g. setting up an Audit Committee, enhancing information transparency, etc):

- (1) The Company's Board of Directors adopted procedures for Board self-assessment or peer evaluation on Board meeting of November 11, 2016 and completed Board self-assessment report in December 2021. The result of the internal assessment is expected to be reported to the Board of Directors at its first quarter meeting in 2022 and disclosed on Company website.
- (2) To enhance the transparency of information, the Company issues major operations news in the form of material information.
- (3) The Company immediately discloses major resolutions on the Market Observation Post System after the Board meeting to protect shareholders' rights and interests, has a designated person responsible for the collection and disclosure of Company information, and establishes a spokesperson system to ensure timely and proper release of material information for shareholders and stakeholders

(4) The Company continually arranges professional training for directors. A total of 38 hours of director training with respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report. The training is as follows.

Name	Date	Host by	Training/Speech Title	Duration	Total Hours
Lin, Ing-Gin	2021.11.12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrading, Business Applications for the Future, and Post-pandemic New Normal	3	6
	2021.11.29	Taiwan Corporate Governance Association	Taxation of Corporate and Major Shareholders	3	
Zhuang, Zhu-Wei	2021.09.01	Financial Supervisory Commission R.O.C (Taiwan)	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3	6
	2021.10.18	Taipei Exchange	Propaganda Conference of Insider Ownership in Main Board Companies and Emerging Stock Board Companies	3	
Chang, Chih-Chuan	2021.11.12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrading, Business Applications for the Future, and Post-pandemic New Normal	3	6
	2021.11.29	Taiwan Corporate Governance Association	Taxation of Corporate and Major Shareholders	3	
Hsieh, Chang-Hung	2021.11.12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrading, Business Applications for the Future, and Post-pandemic New Normal	3	6
	2021.11.29	Taiwan Corporate Governance Association	Taxation of Corporate and Major Shareholders	3	
Wang, Kai-Li	2021.11.08	Taiwan Corporate Governance Association	Disclosure of Material Information and Responsibilities of Directors and Supervisors	3	6
	2021.11.12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrading, Business Applications for the Future, and Post-pandemic New Normal	3	
Wang, Chih-Cheng	2021.02.23	Taiwan Academy of Banking and Finance	Operation of Directors and Supervisors and Corporate Governance Seminar	2	8
	2021.09.17	Independent Director Association Taiwan	Fair Treatment Principles in Financial Services Industry	3	
	2021.09.17	Independent Director Association Taiwan	New Challenges for Financial Services Industry in Money Laundering Prevention	3	

(5) The Board of Directors performance evaluation:

A. Performance assessment and remuneration

Pursuant to §24 of the Company' s Articles of Incorporation, not more than 5 percent of profit of the current year shall be distributed as remuneration to directors. The procedures for determining remuneration shall be subject to Board self-assessment or peer evaluation

and stated in §21 of the Company's Articles of Incorporation. The directors' compensation shall be determined by the Remuneration Committee with respect to their participation in and contribution to the operations. The Board of Directors is authorized to distribute remuneration in accordance with the Remuneration Committee's assessment and the typical pay levels adopted by peer companies.

In the event of moral hazard, other adverse events that may impair the Company's reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to directors shall be adjusted with respect to their participation in and contribution to the operations.

**B. The results of performance assessment**

The Company adopted procedures for Board self-assessment or peer evaluation on Board meeting of November 11, 2016. Beginning in 2016, performance evaluation is annually completed in December by all Board members through self-assessment surveys via questionnaires. External board performance evaluation is performed at least once every three years by an external professional independent organization or a team of external experts, with current year performance evaluation conducted at the end of the year.

**C. Internal evaluation:**

The individual directors are assessed on the following six aspects:

- Understanding of the Company's goals and mission
- Awareness of director's duties
- Involvement in the Company's operations
- Internal relationship and communication
- Expertise and continuing education
- Internal controls

The weighted average score for the 2021 overall performance of the directors was 5 out of 5 and is expected to report the result to the Board of Directors at March 9, 2022.

The Board of Directors is assessed on the following five aspects:

- Involvement in the Company's operations
- Enhancement of the quality of the Board of Directors' decision-making
- Makeup and structure of the Board of Directors
- Election of directors and continuing knowledge development
- Internal controls

The weighted average score for the 2021 overall performance of the Board of Directors was 5 out of 5 and is expected to report the result to the Board of Directors at March 9, 2022.

**D. External expert evaluation:**

According to procedures for Board self-assessment or peer evaluation, external expert evaluation shall be performed at least once every three years. The Company engaged Chainye Management Consulting Co. to conduct an external evaluation of the overall performance of Board of Directors, directors, and functional committees for the year 2020.

The evaluation was performed through a combination of data analysis (including self-assessment questionnaires and public information) and actual participation in the Company's Board and functional committee meetings.

Evaluation scope is as follows.

Board of Directors	Individual Director	Functional Committee
<ul style="list-style-type: none"> <li>• Involvement in the Company's operations</li> <li>• Enhancement of the quality of the Board's decision-making</li> <li>• Makeup and structure of the Board</li> <li>• Election of directors and continuing knowledge development</li> <li>• Internal controls</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding of the Company's goals and mission</li> <li>• Awareness of director's duties</li> <li>• Involvement in the Company's operations</li> <li>• Internal relationship and communication</li> <li>• Expertise and continuing education</li> <li>• Internal controls</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement in the Company's operations</li> <li>• Awareness of the functional committee's duties</li> <li>• Enhancement of the quality of the functional committee's decision-making</li> <li>• Makeup of the functional committee and election of members</li> <li>• Internal controls</li> </ul>

Evaluation result:

- A. Chainye Management Consulting Co. on Jan 8, 2021 issued an assessment report, stating that the Board of the Company has established policies and processes relating to the operation of the Board in compliance with relevant laws and domestic corporate governance standards in all aspects, that the Board is composed of directors with professional competence and continuing education, that the functions of the Board members and functional committees are operating effectively, and that they are assigned work based on different professions and experience, have a timely understanding of the Company's operations and risks, and have a high level of participation in the Company's operations, with the overall assessment result being between good and excellent.
- B. The result of the above assessment was reported to the Board on March 4, 2021.
- C. The suggestions from Chainye Management Consulting Co. are as follows.

Suggestions / Improvements	Measures to be adopted
It is recommended that the Company plan in advance the terms of reference and operation of the Board of Directors and functional committees in accordance with the Corporate Governance 3.0 -Sustainable Development Roadmap.	<ol style="list-style-type: none"> <li>1. Introduce enterprise risk management mechanisms.</li> <li>2. Provide diversified director continuing education.</li> <li>3. Establish a Corporate Sustainability Committee to review sustainability reports and related issues.</li> </ol>

### 3.3.2 The operations of the Audit Committee and its participation in Board meetings

1. Committee member term: May 28, 2020 to May 27, 2023
2. The purpose of the Audit Committee is to assist the Board in fulfilling its role of overseeing the quality and integrity of the Company's performance in relation to accounting, auditing, financial reporting processes and financial controls.
3. Audit Committee's annual work plan for 2021 is as follows.
  - (1) Financial statements.
  - (2) The policies and procedures for auditing and accounting.
  - (3) The policies and procedures for internal controls.
  - (4) The material asset or derivatives transactions.
  - (5) The material loaning of funds and endorsements/guarantees.
  - (6) The offering, issuance, or private placement of equity-type securities.
  - (7) The status of derivatives transactions and investments.
  - (8) Regulation compliance.
  - (9) Risk management.
  - (10) The evaluation of the independence and suitability of its CPA.
  - (11) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
  - (12) Regular communications between the Chief Internal Auditor and the CPA.
  - (13) The performance assessment of the Audit Committee.
4. Audit Committee's highlight of 2021:
  - (1) Review financial statements: The Board of Directors prepared the annual business report, the financial statements, and the earnings distribution proposal for the year 2020. The financial statements were audited and the audit report was issued by Deloitte. The above-mentioned business report, financial statements and earnings distribution proposal were forwarded to the Audit Committee for auditing, and the Audit Committee found that the same were prepared in accordance with the rules.
  - (2) The hiring of the CPA: The Audit Committee prepared CPA independence evaluation form with reference to Certified Public Accountant Act §47 and the Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence. The form evaluated the independence, competence and suitability of the CPA from the aspects of being a related party, having a business relationship, or having a financial interest with the Company.
  - (3) The 13<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on December 28, 2021 and the 13<sup>th</sup> meeting of the 11<sup>th</sup> Board on December 28, 2021 approved that CPA Hsieh, Chien-Hsin and CPA Chen, Chao-Mei with Deloitte met the criteria for independence evaluation and were qualified to act as the Company's certified public accountants.
  - (4) M&A deals review: The Audit Committee reviewed the M&A proposal of Sweatband.com and City Sport Co. Ltd, approved separately on the 12<sup>th</sup> meeting of the 11<sup>th</sup> Audit Committee on November 29, 2021 and on the 10<sup>th</sup> meeting of the 11<sup>th</sup> Audit Committee on August 11, 2021, and submitted to the Board for a resolution.
5. Nine Audit Committee meetings were convened in 2021 (A). The members' qualification and attendance status are as follows.

Title	Name	Attendance in Person ( B )	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Independent Director	Hsieh, Chang-Hung	9	-	100%	Appointed on May 28, 2020
Independent Director	Wang, Kai-Li	9	-	100%	Appointed on May 28, 2020
Independent Director	Wang, Chih-Cheng	9	-	100%	Appointed on May 28, 2020

6. Other required notes for the meetings:

3.3.2.1 In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company' s responses to the Audit Committee' s opinions should be noted:

1. Matters listed in the Securities and Exchange Act §14-5.

Board Meeting Date	Resolution	Matters with the approval of two-thirds or more of all directors but without the approval of the Audit Committee
The 5 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on March 4, 2021	(1) Amendment to handling procedures for acquisition or disposal of assets.	None
	(2) Amendment to the rules governing the proceedings of shareholders meetings.	None
	(3) Adoption of endorsements/guarantees procedures for President Plastic Products MFG. Co., Ltd.	None
	(4) Appointment of dedicated chop and custodian for endorsements/guarantees of President Plastic Products MFG. Co., Ltd.	None
	(5) President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company.	None
	(6) The Company made endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(7) The establishment of the eco-friendly paper containers company.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 6 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on March 30, 2021	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Approval of 2020 annual financial statements and business report.	None
	(3) Approval of 2020 statement of internal control system.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 7 <sup>th</sup> meeting of	(1) The Company issued the third domestic unsecured convertible corporate bonds.	None

the 2 <sup>th</sup> Audit committee on May 4, 2021	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 8 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on May 14, 2021	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Adjustment of the ceilings on the amounts President Plastic Products MFG. Co., Ltd. was permitted to make endorsements/guarantees for the Company.	None
	(3) Change of dedicated chop and custodian for endorsements/guarantees of President Plastic Products MFG. Co., Ltd.	None
	(4) Spirit Manufacturing Inc. underwrote a capital increase of subsidiary Spirit Direct, LLC.	None
	(5) Adoption of handling procedures for acquisition or disposal of assets for President Plastic Products MFG. Co., Ltd.	None
	(6) The Company acquired right-of-use asset from President Plastic Products MFG. Co., Ltd.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 9 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on June 28, 2021	(1) The Company made endorsements/guarantees for sub-subsidiary Fuel Spirit International Inc. (Mauritius).	None
	(2) The Company made loans to sub-subsidiary CARDIO Fitness.	None
	(3) Construction of the plant in Taichung Dajia.	None
	(4) Spirit Manufacturing Inc. expanded warehouses and office premises.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
The 10 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on August 11, 2021	Resolution: All directors present at the meeting approved.	
	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Approval of 2021 the second quarter consolidated financial statements.	None
	(3) The Company made endorsements/guarantees for subsidiary President Plastic Products MFG. Co., Ltd.	None
	(4) Investment in City Sport Co., Ltd (Thailand).	None
	(5) Investment in Morsel, Inc.	None
	(6) Adjustment of group investment structure.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
The 11 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee	Resolution: All directors present at the meeting approved.	
	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3) The Company underwrote a capital increase of subsidiary Wing Long Co., Ltd.	None

on November 12, 2021	(4) The Company cancelled endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(5) Amendment to endorsements/guarantees procedures for President Plastic Products MFG. Co., Ltd.	None
	(6) The Company made endorsements/guarantees for subsidiary Cikayda Inc.	None
	(7) Adjustment of the ceilings on the amounts of collateral President Plastic Products MFG. Co., Ltd. provided to the Company.	None
	(8) President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for subsidiary Cikayda Inc.	None
	Independent directors' opinions: None.	
	The Company's responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 12 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on November 29, 2021	(1) Acquisition of UK online sports and fitness equipment seller Sweatband.com Ltd.	None
	(2) The Company made endorsements/guarantees for sub-subsidiary CARDIO Fitness.	None
	Independent directors' opinions: None.	
	The Company's responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 13 <sup>th</sup> meeting of the 2 <sup>th</sup> Audit committee on December 28, 2021	(1) The Company made loans to subsidiary City Sport Co., Ltd (Thailand).	None
	(2) The Company made loans to subsidiary Sweatband.com Ltd.	None
	(3) Amendment to the Company's internal control policies and internal audit procedures.	None
	(4) The Company cancelled endorsements/guarantees for subsidiary Dyaco UK Ltd.	None
	(5) 2021 Assessment of independence of CPAs.	None
	Independent directors' opinions: None.	
	The Company's responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	

2. Besides the above-mentioned matters, any matter that was not passed by the Audit Committee but was adopted with the approval of two-thirds or more of all Board directors: None.

3.3.2.2 In the event of recusals of independent directors due to conflicts of interests, the name of the independent directors, the motion, the grounds for recusal and the participation in voting should be noted: None.

3.3.2.3 Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of financial position or operations, etc.)

1. Communications between the independent directors and the CPA

Date	Attendee	Summary
March 24, 2021	<u>Independent Director</u> Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng <u>Deloitte &amp; Touche CPA</u> Hsieh, Chien-Hsin	<p><b><u>Communications between the Independent Directors and the CPA</u></b></p> <ol style="list-style-type: none"> <li>1. According to the Statements of Auditing Standards No. 62, a CPA shall communicate with the governance unit.</li> <li>2. The CPA communicated with the governance unit the audit results in relation to Dyaco International Group's 2020 annual financial statements.</li> </ol> <p><b><u>Independent Directors' Response</u></b></p> <ol style="list-style-type: none"> <li>1. If the CPA has any difficulties or significant communication issues during the audit, the finance department should do its best to assist.</li> <li>2. There are many subsidiaries in the Dyaco International Group, and the parent company should fulfill the responsibility of supervising them.</li> </ol> <p><b><u>The Company Follow-up</u></b></p> <ol style="list-style-type: none"> <li>1. Full cooperation with CPA in the audit.</li> <li>2. The Company assigned additional manpower to carry out the responsibility of supervising the subsidiaries.</li> </ol>
December 28, 2021	<u>Independent Director</u> Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng <u>Deloitte &amp; Touche CPA</u> Hsieh, Chien-Hsin	<p><b><u>Communications between the Independent Directors and the CPA</u></b></p> <ol style="list-style-type: none"> <li>1. According to the Statements of Auditing Standards No. 62, a CPA shall communicate with the governance unit; according to the Statements of Auditing Standards No. 58, a CPA shall communicate with the governance unit the key audit matters in the audit report.</li> <li>2. The CPA communicated the planned scope and method in relation to Dyaco International Group's 2021 annual financial statements, 2021 Group structure (including acquired and invested companies), the timing of the audit, and audit approaches for foreign subsidiaries (CPA adopted remote work mode and obtained audit documentation by e-mail or videoconferencing, etc.)</li> <li>3. The CPA introduced the audit team members of Dyaco International Group.</li> <li>4. The CPA declared that he had complied with the relevant regulations of the National Federation of CPA Associations of the R.O.C. "Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence" and had not violated independence.</li> <li>5. The CPA explained the precautions against fraud.</li> <li>6. The CPA identified and communicated the key audits matters of Dyaco International Group for 2021.</li> <li>7. Key audit matters.</li> </ol>

		<p><b><u>Independent Directors' Response</u></b></p> <ol style="list-style-type: none"> <li>1. If the CPA has any difficulties or significant communication issues during the audit, the finance department should do its best to assist.</li> <li>2. For the companies acquired and invested in this year, the Company should supervise the accounting quality and the timing for provision of reports to the Group for consolidated financial statements preparation and for CPA audit.</li> <li>3. The Company should supervise and follow up on key audit matters and other communication matters.</li> <li>4. The audit approaches for key audit matters. The CPA is expected to provide suggestions in the next Audit Committee meeting on audit results.</li> </ol> <p><b><u>The Company Follow-up</u></b></p> <ol style="list-style-type: none"> <li>1. Full cooperation with CPA in the audit.</li> <li>2. The exit meeting will be held after the audit of 2021 annual financial statements in the first quarter of 2022.</li> </ol>
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## 2. Communications between the independent directors and the chief internal auditor

### • Communications between the Independent Directors and the Chief Internal Auditor

Date	Attendee	Summary
March 24, 2021	<p><u>Independent Director</u></p> <p>Hsieh, Chang-Hung</p> <p>Wang, Kai-Li</p> <p>Wang, Chih-Cheng</p> <p><u>Chief Internal Auditor</u></p> <p>Liu, Yu-Li</p>	<p><b><u>Communications between the Independent Directors and the CIA</u></b></p> <ol style="list-style-type: none"> <li>1. 2020 material weakness discussion.</li> <li>2. Introduction of proposed ISO.</li> <li>3. Key audit matters in subsidiaries.</li> </ol> <p><b><u>Independent Directors' Response</u></b></p> <ol style="list-style-type: none"> <li>1. The Company is advised to implement the proposed ISO to perfect the Company's internal control system, and at the same time, to introduce the relevant procedures to each subsidiary.</li> <li>2. The Company should establish the Corporate Sustainability Committee and set up a mechanism for sustainability reports and relevant issues in response to the competent authorities' efforts to strengthen corporate governance.</li> <li>3. The Company should evaluate the adequacy of internal auditors to conduct the necessary audit, especially the subsidiary audit, in response to the gradual expansion of the scale of the Company.</li> <li>4. If there is a need to communicate with independent directors during the audit, the matters should be discussed in a timely manner.</li> </ol> <p><b><u>The Company Follow-up</u></b></p> <ol style="list-style-type: none"> <li>1. The Company was ISO14000 certified.</li> <li>2. The Corporate Sustainability Committee and its charter were established on August 11, 2021.</li> </ol>

December 28, 2021	<u>Independent Director</u> Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	<u>Communications between the Independent Directors and the CIA</u> 1. Last meeting follow-up. 2. 2021 audit matters. 3. 2022 annual engagements.
	<u>Chief Internal Auditor</u> Liu, Yu-Li	<u>Independent Directors' Response</u> 1. Remind internal auditors to conduct the audit of major subsidiaries on major operation cycles. 2. Engagements are submitted to the Audit Committee and the Board of Directors for resolution. <u>The Company Follow-up</u> 1. The Company was ISO14000 certified. 2. Engagements were discussed and passed in the Audit Committee meeting and the Board meeting on December 28, 2021. 3. The 2022 audit of major subsidiaries on major operation cycles will be conducted in accordance with internal control standards.

• Audit Committee

The chief internal auditor submits the audit report to independent directors on a monthly basis, and reports to the Audit Committee and the Board of Directors on major findings of the internal control system. The chief internal auditor communicates with the Audit Committee the audit on a regular basis and responds to the Audit Committee members' questions after the release of monthly audit report. Relevant supervisors are invited to attend the meetings if necessary, and the chief internal auditor summarizes conclusions as well as suggestions and reports to the Audit Committee and the Board of Directors. The instructions of the Audit Committee and the Board of Directors are the guideline for implementation.

Audit Committee Meeting Date	Attended Independent Director	Attended Chief Internal Auditor	Summary	Resolution
March 4, 2021	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of December 2020.	Reported to the Board of Directors after the Audit Committee's approval.
March 30, 2021	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	<ul style="list-style-type: none"> <li>Reported the audit report of January 2021 and February 2021.</li> <li>Approved 2020 internal control statement.</li> </ul>	<ul style="list-style-type: none"> <li>Reported to the Board of Directors after the Audit Committee's approval.</li> <li>The Audit Committee and the Board of Directors approved.</li> </ul>
May 14, 2021	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of March 2021 and April 2021.	Reported to the Board of Directors after the Audit Committee's approval.
June 28, 2021	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of May 2021.	Reported to the Board of Directors after the Audit Committee's approval.
August 11, 2021	Hsieh, Chang-Hung Wang, Kai-Li	Liu, Yu-Li	Reported the audit report of June 2021 and July 2021.	Reported to the Board of Directors after the Audit

	Wang, Chih-Cheng			Committee' s approval.
November 12, 2021	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of August 2021, September 2021 and October 2021.	Reported to the Board of Directors after the Audit Committee' s approval.
December 28, 2021	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	<ul style="list-style-type: none"> <li>Reported the audit report of November 2021.</li> <li>Approved 2022 annual audit plan.</li> </ul>	<ul style="list-style-type: none"> <li>Reported to the Board of Directors after the Audit Committee' s approval.</li> <li>The Audit Committee and the Board of Directors approved.</li> </ul>

### 3.3.2.4 Evaluation of the Audit Committee

The Company conducted an evaluation of the Company's functional committee at the end of the year and the Audit Committee members were assessed on the following five aspects:

1. Involvement in the Company' s operations
2. Awareness of the Audit Committee' s duties
3. Enhancement of the quality of the Audit Committee' s decision-making
4. Makeup of the Audit Committee and election of members
5. Internal controls

The weighted average score for the 2021 overall performance of the Audit Committee members was 5 out of 5 and the result is expected to be reported to the Board of Directors at March 9, 2022.

### 3.3.3 The composition, duties, and operations of the Remuneration Committee

#### 3.3.3.1 Information of Remuneration Committee members

Title	Qualification	Professional qualifications and experience	Independence (Note 3)	Number of other public companies in which the member also serves as a member of their Remuneration Committee
	Name			
Independent Director	Hsieh, Chang-Hung	Served in Deputy Chief Secretary of National Science Council, head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transportation and Communication, President and General Manager of IBF Securities Investment Consulting, has come with excellent corporate governance experiences.	(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12)	-
Independent Director	Wang, Kai-Li	Served in Professor, Department of Financial, Tunghai University, Chairman of Taiwan Financial Development Association, Independent Director of Ginko International Co., Ltd. Independent Director of AKER Co., Ltd, has come with excellent financial and corporate governance experiences.	(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12)	2
Other	Chen, Shih-Hsin	Served in Senior consultant of Ogilvy Public Relations, Vice professor, Department of Health Care Management, National Taipei University of Nursing and Health Sciences has come with excellent health communication, company culture, and Social Contagion Theory 、 communication network analysis experiences.	(1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12)	-

Note : Independence of the Remuneration Committee members in the two years before appointment and during their term. Those who comply will be disclosed above.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Directors and supervisors who are not part of the Company or its affiliated companies (except if the Company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, -68- minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a manager in (1) or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of personnel in (2) and (3).
- (5) Not directors, supervisors or legal shareholders who directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (8) Not directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

### 3.3.3.2 The Remuneration Committee status

1. Committee Member Term: May 28, 2020 to May 27, 2023.
2. The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.
  - (1) Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers.
  - (2) Periodically assessing and setting the types and amounts of the compensation of the directors and managerial officers.
3. Three Remuneration Committee meetings were convened in 2021 (A). The members' qualification and attendance status are as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Chair	Hsieh, Chang-Hung	3	-	100%	Re-appointed on May 28, 2020
Member	Wang, Kai-Li	3	-	100%	Re-appointed on May 28, 2020
Member	Chen, Shih-Hsin	3	-	100%	Re-appointed on May 28, 2020

#### 4. Other required notes for the meetings:

- (1) In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company' s responses to the Remuneration Committee' s opinions should be noted:

Remuneration Committee Meeting Date	Resolution
The 3 <sup>rd</sup> meeting of the 4 <sup>th</sup> Remuneration Committee on March 30, 2021	(1). Approval of 2020 distribution of employees' and directors' compensation.
	<b>Resolution of the Remuneration Committee:</b> Except members recused themselves from the discussion and voting, the chair put the motion before all members present at the meeting and none voiced an objection.
	<b>The Company' s responses to the Remuneration Committee' s opinions:</b> Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on the resolution of the Remuneration Committee.
The 4 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee on August 11, 2021	(1). Approval of 3 <sup>rd</sup> transfer of treasury shares to managers and employees.
	<b>Resolution of the Remuneration Committee:</b> All Remuneration Committee members present at the meeting approved.
	<b>The Company' s responses to the Remuneration Committee' s opinions:</b> All directors present at the meeting approved.
The 5 <sup>th</sup> meeting of the 4 <sup>th</sup> Remuneration Committee on December 28, 2021	(1). Approval of 2022 compensation structure.
	(2). Approval of directors' and managers' compensation.
	(3). Approval of 2021 distribution of managers' annual bonus.
	(4). Approval of 4 <sup>th</sup> transfer of treasury shares to managers and employees.
	<b>Resolution of the Remuneration Committee:</b> Except members recused themselves from the discussion and voting, the chair put the motion before all members present at the meeting and none voiced an objection.
	<b>The Company' s responses to the Remuneration Committee' s opinions:</b> Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on the resolution of the Remuneration Committee.

(2) If the Board of Directors refuses to adopt or modifies a recommendation by the Remuneration Committee, Board meeting dates, sessions, motions, resolutions of the meetings, and the Company's responses to the Remuneration Committee's opinions shall be noted (If the compensation approved by the Board of Directors is better than that suggested by the Remuneration Committee, the differences and reasons shall be stated): None.

(3) If, with respect to any resolution of the Remuneration Committee, any member had a dissenting opinion or qualified opinion which was documented or issued through written statements, Remuneration Committee meeting dates, sessions, motions, all members' opinions and the handling thereof shall be noted: None.

(4) Evaluation of the Remuneration Committee

The Company conducted an evaluation of the Company's functional committee at the end of the year and the Remuneration Committee members were assessed on the following four aspects:

A. Involvement in the Company's operations.

B. Awareness of the Remuneration Committee's duties.

C. Enhancement of the quality of the Remuneration Committee's decision-making.

D. Makeup of the Remuneration Committee and election of members.

The weighted average score for the 2021 overall performance of the Remuneration Committee members was 5 out of 5 and the result is expected to be reported to the Board of Directors at March 9, 2022.

### 3.3.4 The composition, duties and operations of the Corporate Social Responsibility (CSR) Committee

#### 3.3.4.1 The composition of the CSR Committee:

In accordance with the Company's CSR Committee chart, the Committee shall consist of three independent directors as resolved by the chairman and the Board of Directors, with the chairman of the Board as the chairman of the Committee and one independent director as the deputy chairman. The Committee has a project executive secretary to report regularly on CSR implementation.

#### 1. The duties of the CSR Committee:

(1) Corporate governance: Conducting research and collecting economic data on topics such as corporate governance and supply chain in response to changes in the Company's internal and external environment and the issues faced in achieving sustainable management.

(2) Environmental protection: Considering the impact of operations on ecological benefits and engaging in R&D, procurement, production, operation and service activities accordingly to reduce the impact of the Company's operations on the natural environment and human beings.

(3) Social relations: Collecting and communicating issues of concern to employees, community members and social groups.

#### 2. The operations of the CSR Committee:

(1) Two CSR Committee meetings were convened in 2021 (A). The members' qualifications, specialty and attendance status are as follows.

Title	Name	Specialty	Title	Attendance in Person ( B )	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Chairman	Lin, Ing-Gin	Corporate Governance	Chairman	2	-	100%	Appointed on May 28, 2020
Deputy Chairman	Wang, Chih- Cheng	Legal	Independent Director	2	-	100%	Appointed on May 28, 2020
Member	Wang, Kai-Li	Finance	Independent Director	2	-	100%	Appointed on May 28, 2020
Member	Hsieh, Chang- Hung	Management	Independent Director	2	-	100%	Appointed on May 28, 2020

(2) Other required notes for the meetings:

Evaluation of the CSR Committee

The Company conducted an evaluation of the Company's functional committee at the end of the year and the CSR Committee members were assessed on the following four aspects:

- A. Involvement in the Company' s operations.
- B. Awareness of the CSR Committee' s duties.
- C. Enhancement of the quality of the CSR Committee' s decision-making.
- D. Makeup of the CSR Committee and election of members.

The weighted average score for the 2021 overall performance of the CSR Committee members was 5 out of 5 and the result is expected to be reported to the Board of Directors at March 9, 2022.

### 3.3.5 The composition, duties and operations of the Corporate Sustainability Committee

1. To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it.
2. The Board of Directors approved the Corporate Sustainability Committee charter on August 11, 2021 for the Committee to follow.
3. In accordance with the Company's Corporate Sustainability Committee chart, on August 11, 2021, the CSR Committee members were appointed as Corporate Sustainability Committee members with their term from August 11, 2021 to May 27, 2023. The Corporate Sustainability Committee consists of three independent directors with the chairman of the Board as the chairman of the Committee and the independent director Wang, Chih-Cheng as the deputy chairman.
4. The duties of the Corporate Sustainability Committee:
  - (1). Development of the Company's sustainable development policies.
  - (2). Establishment of sustainable development of the Company, including sustainable governance, ethical management, environmental and social objectives, strategy and implementation plan development.
  - (3). Regularly evaluate, follow up on, and amend the Company's sustainable development implementation, and report to the Board of Directors on a regular basis.
  - (4). Address the concerns of various stakeholders, including shareholders, customers, suppliers, employees, governments, non-profit organizations, communities, and the media, and oversee communication plans.

(5). Review of reports.

(6). Any other matters assigned by the Board of Directors.

5. One Corporate Sustainability Committee meeting was convened in 2021 (A). The members' qualifications, specialty and attendance status are as follows.

Title	Name	Specialty	Title	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B/A 】	Note
Chairman	Lin, Ing-Gin	Corporate Governance	Chairman	1	-	100%	Appointed on August 11, 2021
Deputy Chairman	Wang, Chih-Cheng	Legal	Independent Director	1	-	100%	Appointed on August 11, 2021
Member	Wang, Kai-Li	Finance	Independent Director	1	-	100%	Appointed on August 11, 2021
Member	Hsieh, Chang-Hung	Management	Independent Director	1	-	100%	Appointed on August 11, 2021

6. In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company' s responses to the Corporate Sustainability Committee' s opinions should be noted:

Corporate Sustainability Meeting Date	Resolution
The 1 <sup>st</sup> meeting of the 1 <sup>st</sup> Corporate Sustainability Committee on December 28, 2021	(1). 2021 Sustainable development report.
	(2). Stakeholder survey on critical issues.
	<b>Resolution of the Corporate Sustainability Committee:</b> All Corporate Sustainability Committee members present at the meeting approved.
	<b>The Company' s responses to the Corporate Sustainability Committee' s opinions:</b> The Company implemented in accordance with the resolution.

7. Other required notes for the meetings: None.

### 3.3.6 The corporate governance director' s duties, business execution highlights and continuing education

On March 8, 2019, the Board of Directors of the Company appointed the vice president of finance Chiu, Yuan-Sheng, who had more than three years of experience in the position of finance director in a public company, as the corporate governance director. The main duties of which are furnishing information required for business execution by directors, assisting directors' compliance of law by providing the latest regulations related to the operation of the Company, and reporting to the Board of Directors at the end of each year regarding the effectiveness of operations. Corporate governance director' s duties, business execution highlights and continuing education are as follows.

1. The 2021 business promotion is as follows and was reported to the Board of Directors on December 28, 2021:

Year Activity	2021 Implementation Status
Eligibility into Corporate Governance Index Constituents.	The Company was included in Fubon TWSE Corporate Governance 100 ETF and TWSE Corporate Governance 100 Index.
Regularly informed the Board members of the latest regulations related to the Company's industry and corporate governance.	The regulations of Corporate Governance 3.0 and preparation of financial statements by the Company were promoted.
Offered at least 6 hours of inhouse training courses for the Board members.	The training courses were held on November 12, 2021 and November 29, 2021, respectively.
Evaluated the purchase of directors liability insurance.	The renewal of insurance was completed on September 15, 2021 and reported to the Board on November 12, 2021.
The agenda of the Board meeting followed the procedure of the Board meeting.	Held 2021 Board meetings.
The agenda of the shareholder meeting followed the procedure of the shareholder meeting.	Held 2021 shareholder meeting.
Stakeholder communication report.	Stakeholder communication report was reported to the Board on December 28, 2021.
Planned and implemented annual corporate governance evaluation.	Top 6%~20% of listed companies for 2020 corporate governance evaluation.
Introduced the concept of corporate sustainability.	Established Corporate Sustainability Committee charter and Corporate Sustainability Committee on August 11, 2021.

2. The corporate governance training courses for corporate governance directors in 2021:

Date		Host by	Course	Duration	Total Hours in 2021
From	To				
2021.09.01	2021.09.01	Financial Supervisory Commission R.O.C (Taiwan)	The 13 <sup>th</sup> Taipei Corporate Governance Forum-morning session	3	15.0
2021.09.01	2021.09.01	Financial Supervisory Commission R.O.C (Taiwan)	The 13 <sup>th</sup> Taipei Corporate Governance Forum-afternoon session	3	
2021.11.03	2021.11.03	Securities & Futures Institute	2021 Propaganda Conference of Insider Trading Prevention	3	
2021.11.12	2021.11.12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrading, Business Applications for the Future, and Post-pandemic New Normal	3	
2021.11.29	2021.11.29	Taiwan Corporate Governance Association	Taxation of Corporate and Major Shareholders	3	

3.3.7 Corporate Governance Status and Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” :

Assessment Item	Implementation Status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
1. Whether the Company has formulated and disclosed “Corporate Governance Best Practice Principles,” according to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” ?	V		The Company has formulated the “Corporate Governance Best Practice Principles” for the establishment of a good corporate governance system, which were last amended on February 21, 2020 in accordance with the provisions amended by the competent authorities, and submitted to the Board for approval and implementation, as disclosed on the Market Observation Post System and the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> for download and reference.	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
2. The Company's shareholding structure and shareholders' interest (1) Whether the Company has formulated and implemented internal procedures for handling suggestions, questions, disputes, and litigation of shareholders.	V		Besides through the stock transfer agency, the Company has internal material information handling and insider trading prevention management procedures in place, and has a spokesperson, acting spokesperson and investment relations department to properly address shareholder and investor suggestions, queries, and disputes in order to ensure shareholders' interests.	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
(2) Whether the Company has got hold of the list of major shareholders and their ultimate controllers.	V		The Company keeps track of the shareholdings of directors, managers and substantial shareholders holding more than 10% of the shares, and keeps up with the list of substantial shareholders and their ultimate controllers as far as possible through successive shareholder registers, reports changes in their shareholdings on a monthly basis, and discloses the list of the top 10 shareholders in the annual report and on the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> .	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
(3) Whether the Company has established and implemented risk management and firewall mechanism pertaining to affiliates.	V		Regarding supervision of its affiliated companies, the Company has, pursuant to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” “Regulations Governing Establishment of Internal Control Systems by Public Companies,” “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” drawn up the “Corporate Governance Best Practice Principles,” “Internal Control System,” “Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees,” “Procedures for the Acquisition or Disposal of Assets,” “Regulations Governing the Supervision and Management of Subsidiaries,” and	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”

Assessment Item	Implementation Status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			"Regulations Governing the Management of Transactions with Related Parties, Specific Companies and Group Companies," clearly delineating the duties and responsibilities among the Company and its affiliates and building appropriate firewalls based on risk assessment to eliminate unconventional transactions and strictly prohibit conveyance of unjust interests.	
(4) Whether the Company has formulated internal norms forbidding the Company' s insiders to take advantage of unpublicized information in trading in securities.	V		The Company has the "Code of Ethical Conduct," "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and "Internal Material Information Handling and Insider Trading Prevention Management Procedures," under which insiders are not allowed to engage in insider trading with unpublished information of which they are aware, nor are they allowed to leak undisclosed information to others.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
3. Composition and duties of the Board of Directors (1) Whether the Board of Directors has formulated and achieved diversification for the composition of its membership.	V		<ol style="list-style-type: none"> <li>To implement the diversity of the Board of Directors, the core competencies that the directors shall have are set out in the "Director Election Regulations," the amendments to which were approved unanimously by the 16<sup>th</sup> Session of the 9<sup>th</sup> Board of Directors on March 2, 2017, with the diversity policy disclosed on the Market Observation Post System and the Company' s website at <a href="http://www.dyaco.com">www.dyaco.com</a>.</li> <li>The Company has drawn up a policy on diversity in the composition of the Board of Directors in the "Director Election Regulations." The Company selects directors with the necessary knowledge, skills and qualities to perform their duties based on their professional backgrounds and work areas. In order to achieve the desired objectives of corporate governance, the Board of Directors as a whole shall have the following capabilities: <ol style="list-style-type: none"> <li>Operational judgement.</li> <li>Accounting and financial analysis skills.</li> <li>Operational management capacity.</li> <li>Crisis management capacity.</li> <li>Industrial knowledge.</li> <li>Global market insights.</li> <li>Leadership.</li> <li>Decision-making capacity.</li> </ol> </li> </ol>	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

3. The diversity of backgrounds of individual directors of the 11<sup>th</sup> Board is as follows:

(1) The gender composition of the Company's directors is as follows:

Gender	Place	% of All Directors
Female	1	14%
Male	6	86%

The Company places emphasis on gender equality in the composition of the Board of Directors. The short-term goal of having at least one woman on the Board of Directors has been achieved; the current proportion of women on the Board is 14%.

(2) The age range of the Company's directors is as follows:

Age Range	Place	% of All Directors
Age 51 to 60	5	72%
Age 61 to 70	1	9%
Age 71 to 75	1	9%

(3) Directors of the Company in their capacity as employee:

Directorship	Place	% of All Directors
Part-time staff	0	0%
Not part-time staff	7	100%

(4) The directors of the Company are all ROC nationals.

(5) The directorships of the Company are as follows:

Directorship	Place	% of All Directors
Director	4	57%
Independent Director	3	43%

The Company expects to achieve a balanced composition of ordinary and independent directors on the Board of Directors in order to step up oversight function of the Board. The proportion of independent directors of the Company is over 40% for the current term, and to achieve a balanced composition, the Company will increase the number of independent directorships in the next term, subject to operational circumstances.

(6) The terms of office of the independent directors are as follows:

Directorship	Place	% of All Directors
4~6 years	1	17%
Over 9 years	2	83%

		<p>(7) The assessment of diversified core competencies for the directors are as follows:</p> <table><tr><th>Diversified core competencies \ Directors</th><th>Operational judgment</th><th>Accounting and financial analysis skills</th><th>Operational management capacity</th><th>Crisis management capacity</th><th>Industrial knowledge</th><th>Global market insights</th><th>Leadership</th><th>Decision-making capacity</th></tr><tr><td>Lin, Ing-Gin</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Liao, Liang-Bin</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Zhuang, Zhu-Wei</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Chang, Chih-Chuan</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Hsieh, Chang-Hung</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Wang, Kai-Li</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Wang, Chih-Cheng</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr></table>	Diversified core competencies \ Directors	Operational judgment	Accounting and financial analysis skills	Operational management capacity	Crisis management capacity	Industrial knowledge	Global market insights	Leadership	Decision-making capacity	Lin, Ing-Gin	V	V	V	V	V	V	V	V	Liao, Liang-Bin	V	V	V	V		V	V	V	Zhuang, Zhu-Wei	V	V	V	V		V	V	V	Chang, Chih-Chuan	V		V	V		V	V	V	Hsieh, Chang-Hung	V	V	V	V		V	V	V	Wang, Kai-Li	V	V	V	V		V	V	V	Wang, Chih-Cheng	V	V	V	V		V	V	V	
Diversified core competencies \ Directors	Operational judgment	Accounting and financial analysis skills	Operational management capacity	Crisis management capacity	Industrial knowledge	Global market insights	Leadership	Decision-making capacity																																																																			
Lin, Ing-Gin	V	V	V	V	V	V	V	V																																																																			
Liao, Liang-Bin	V	V	V	V		V	V	V																																																																			
Zhuang, Zhu-Wei	V	V	V	V		V	V	V																																																																			
Chang, Chih-Chuan	V		V	V		V	V	V																																																																			
Hsieh, Chang-Hung	V	V	V	V		V	V	V																																																																			
Wang, Kai-Li	V	V	V	V		V	V	V																																																																			
Wang, Chih-Cheng	V	V	V	V		V	V	V																																																																			
		<p>4. Board members and key management succession planning:</p> <p>In a succession plan, the Company's successors shall be involved in the sports equipment industry on a long-term basis, and must adhere to the highest principle of integrity in the Company's operation. The Company's General Manager, Chen Ming-Nan, has expertise in research and development, management and manufacturing, and Executive Vice President of Finance, Wu Mei-Hua, has expertise in financial management. Chen, Ting-Chung, the president of the sub-subsidiary Spirit Manufacturing Inc., has been working in the North American sports market for a long time, expanding the Company' s business in North American and focusing on operations management, with business and operations management skills.</p> <p>he training for senior management succession entails management competencies, professional competencies, personal development plans, including human resources, financial risk, EMBA, etc. Through professional competence training, the training is integrated to develop the ability of decision making and judgment. The Company expects that the addition of this member will continue to provide an effective, diverse and gender-equitable operating environment. Therefore, in addition to professional competence, at least one female director must be appointed to achieve gender equality on the Board of Directors.</p>																																																																									
(2) Whether the Company has established its own various functional committees other than the Remuneration	V	<p>1. The Company formed the Corporate Social Responsibility (CSR) Committee in 2018 to deliberate and make recommendations on major issues such as corporate social responsibility of the Company for the reference of the Board of Directors and executives in decision making and implementation. The composition,</p>	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx																																																																								

Committee and the Audit Committee.			responsibilities and operations of the CSR Committee are described in Section 3.3.4. 2. To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it. The composition, responsibilities and operations of the Corporate Sustainability Committee are described in Section 3.3.5.	Listed Companies"
(3) Whether the Company has formulated measures and methods for the evaluation of the performance of the Board of Directors, conducts performance evaluation annually and submits the results of the performance evaluation to the Board of Directors for the reference of individual director's compensation and nomination for reappointment?	V		1. The Company issues a performance self-assessment questionnaire to all Board members in December of each year and performs the current year's performance evaluation at the end of the year. 2. For the 2021 Board of Directors' evaluation, please refer to Section 3.3.1.4. 3. Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the Company' s directors shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's Board of Directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of directors shall be determined by the Remuneration Committee regarding the extent of their participation in and contribution to the operations, with the reasonable fairness of performance risks linked to the compensation received, and the Board of Directors authorized to make payments in accordance with the Remuneration Committee's assessment and the usual standards of the industry.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(4) Whether the Company has regularly evaluated the independence of certified public accountants.	V		The Company evaluates the independence and suitability of its certified public accountants (CPA) once a year, with the results of the most recent two annual evaluations submitted on December 25, 2020 and December 28, 2021 to the Board of Directors for approval after deliberations by the Audit Committee; please refer to below for details of the 2021 evaluation.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
4. Whether the listed company has a suitable and appropriate number of corporate governance personnel and has designated a corporate governance officer to be responsible for corporate governance-related matters (This includes, but is not limited to, providing information necessary for directors and supervisors to carry out their business, assisting directors and supervisors in complying with laws and regulations, holding board meetings	V		1. On March 8, 2019, the Board of Directors of the Company appointed Vice President of Finance Chiu, Yuan-Sheng as the head of corporate governance, who had more than three years of experience in the position of finance director in a public company, the main duties of which are to provide the directors with the information necessary for the execution of business, the latest regulations related to the operation of the Company to assist the directors and the Company to comply with the laws and regulations, and report to the Board of Directors at the end of each year to review the effectiveness of operations. 2. See Section 3.3.6 for the corporate governance director' s duties, business execution highlights and continuing education.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"

and shareholders' meetings in accordance with the law, preparing minutes of board meetings and shareholders' meetings, etc.).				
5. Whether the Company has established communications channel for stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and dedicated sector for stakeholders in its website, in addition to responding properly to key issues in corporate social responsibility concerned by stakeholders.	V		<ol style="list-style-type: none"> <li>1. The Company attaches importance to the balance of rights and obligations among its stakeholders, including authorities, employees, shareholders and investors, customers, suppliers, social groups and community residents, etc. While maintaining good communication with stakeholders, the Company has a section for stakeholders on its website.</li> <li>2. Communication between various types of stakeholders in 2021 was reported by the head of corporate governance to a board meeting on December 28, 2021 and disclosed on the Company's website.</li> </ol>	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
6. Whether the Company appoints a professional stock agent to conduct the affairs of the shareholders' meeting.	V		The Company's stock agency to be represented by SinoPac Securities Corporation, which was approved for the record by a letter dated June 3, 2019 from Taiwan Depository & Clearing Corporation.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
7. Information publication (1) Whether the Company has installed website for publication of information on finance, business and corporate governance.	V		Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> .	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
(2) Whether the Company adopts other means of information disclosure (such as setting up an English website, designating a person responsible for the collection and disclosure of company information, implementing a spokesperson system, and posting of the process of investors' conference on the Company website,	V		<ol style="list-style-type: none"> <li>1. Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a>.</li> <li>2. The Company's English website is maintained by dedicated staff, and the Company has also established a spokesperson system and an Investor Relations Department to serve shareholders and investors.</li> <li>3. Information relating to shareholders' meetings or investors' conference is available on the Company's website.</li> </ol>	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

etc.)				
(3) Whether the Company discloses and reports the annual financial reports within two months after the end of the fiscal year, and declares the first, second, and third quarter financial reports and the monthly operations within the prescribed time limit.	V		The Company shall, within a time limit prescribed in Article 36 of the Securities and Exchange Act, announce and report its annual financial reports, first, second and third quarter financial reports, with its operations for each month published as scheduled.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
8. Whether the Company has any other important information that would be useful in understanding the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of interested parties, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors).	V		<ol style="list-style-type: none"> <li>1. Employee rights and employee care: Please refer to Section on labour relations.</li> <li>2. Investor relations: The Company has spokespersons, acting spokespersons and investor relations division whose contact information are publicly available, so that investors can reflect their opinions at any time, with the financial and corporate governance content updated on the Market Observation Post System and the Company's website in real time, which helps to enhance information transparency.</li> <li>3. Supplier relations: The Company has smooth communication channels and good interaction with its suppliers.</li> <li>4. Rights of interested parties: Stakeholders may communicate with the Company and make suggestions to protect their legal rights and interests.</li> <li>5. Director training: The Company's directors have participated in continuing education on corporate governance in accordance with the regulations. Please refer to Section 3.3.1.4 for further details.</li> <li>6. Implementation of risk management policies and risk measurement standards: <ol style="list-style-type: none"> <li>(1) Risk management policies: <ol style="list-style-type: none"> <li>A. Market risk management: Avoid excessive concentration of customers and product lines.</li> <li>B. Credit risk management: Periodically review the creditworthiness of customers, manage accounts receivable, and monitor cash flows and use of funds.</li> <li>C. Operational risk management: Establish, amend and promote various standard operating procedures.</li> <li>D. Enterprise scale risk management: Implement performance management and profit center system and regularly review the economic scale of each product line and subsidiary.</li> </ol> </li> <li>(2) Risk management framework: <p>The management of the Company's operational risks is assigned to the relevant units according to the nature of their business, and is monitored by the Audit Department for the existing or potential risks of each operation.</p> <ol style="list-style-type: none"> <li>A. Financial: Conduct financial dispatching, use funds and establish hedging mechanisms to reduce financial risk; and plan and develop short, medium and long-term financial and investment strategies.</li> </ol> </li> </ol> </li> </ol>	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

		<p>B. Business: Conduct product marketing and keep abreast of market trends to abate operational risks.</p> <p>C. Information: Perform network planning, construction, operation and maintenance, continuously monitor network quality, assess information risks and take appropriate response measures to reduce operational risks.</p> <p>D. Legal: In addition to reviewing the legality of contractual documents, assisting in controlling legal risks, complying with the laws and handling contractual and litigation disputes to mitigate legal risks.</p> <p>E. Audit: Promote the internal control system, conduct audit planning, and perform auditing to ensure its continued effectiveness in order to achieve the effectiveness and efficiency of the Group's operations, the reliability and timeliness of reporting and compliance with relevant laws and regulations.</p> <p>F. Board of Directors: The Board is the highest decision-making unit for risk management of the Company and approves risk management policies to ensure effective control of operational risks by taking into account the overall operational risks and business environment.</p> <p>(3) Analysis and assessment of risk issues: Please refer to Section on risk issues.</p> <p>7. Implementation of customer policy: The Company has set up a customer service department to handle customer complaints and properly identify the problems and responsibilities to ensure the quality of service to customers.</p> <p>8. The liability insurance for directors and supervisors is as follows:</p> <table><tr><th>Date of Most Recent Board Meeting</th><th>Insurance Period</th><th>Insured Amount</th></tr><tr><td>November 12, 2020</td><td>September 15, 2020 – September 15, 2021</td><td>USD 5,000,000</td></tr><tr><td>November 12, 2021</td><td>September 15, 2021 – September 15, 2022</td><td>USD 5,000,000</td></tr></table> <p>The aforementioned communication with stakeholders and priority concerns shall be reported to the Board of Directors at least once a year and disclosed on the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a>; the communication with stakeholders in 2021 was reported to the Board of Directors on December 28, 2021.</p>	Date of Most Recent Board Meeting	Insurance Period	Insured Amount	November 12, 2020	September 15, 2020 – September 15, 2021	USD 5,000,000	November 12, 2021	September 15, 2021 – September 15, 2022	USD 5,000,000	
Date of Most Recent Board Meeting	Insurance Period	Insured Amount										
November 12, 2020	September 15, 2020 – September 15, 2021	USD 5,000,000										
November 12, 2021	September 15, 2021 – September 15, 2022	USD 5,000,000										
<p>9. Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchange and propose priority enhancements and measures for those that have not yet been improved.</p> <p>(1) In the 8<sup>th</sup> Corporate Governance Review, the Company was ranked at 6% to 20%.</p> <p>(2) Improvements made</p> <p>A. The Company obtained an environmental or energy management system.</p> <p>B. The CSR report obtained third party verification.</p> <p>(3) Priorities to be reinforced in the future: Compliance with Corporate Governance 3.0.</p>												

Note 1: Independence evaluation of its certified public accountants (CPA)

Factors	Items	Yes / No
Self-interest	1. Any direct or material indirect financial interest with the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	2. Any financing or guarantee with the Company and its related parties or its directors?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	3. Considering the possibility of losing customers?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	4. Any close business relationship with the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	5. Any potential employment relationship with the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	6. Any contingent fees related to the audits?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
Self-assessment	1. Any member of the audit service team currently or within the last two years holding a directorship, managerial position or position of significant influence over the audit of the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	2. Non-audit services provided to the Company and its related parties directly affecting the material aspects of the audit?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
Defense	1. Promoting or brokering shares or other securities issued by the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	2. Acting as the Company's and its related parties' advocate or coordinating conflicts with other third parties on behalf of the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
Familiarity	1. Any relative relationship with a director, manager, or officer who has significant influence on the audit of the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	2. Whether a former CPA within one year of disassociating from the firm holds any directorships, managerial positions or positions of significant influence over the audit of the Company and its related parties?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	3. Accepting any gifts or presents of significant value from the Company, its related parties or its directors or managers?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
Threatening	1. Any request by the Company and its related parties for the CPA to accept improper choices of accounting policies or improper disclosures in the financial statements by management?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>
	2. Any undue pressure from the Company and its related parties on the CPA to improperly reduce the audits that should be performed in order to keep audit fees down?	Y <input type="checkbox"/> N <input checked="" type="checkbox"/>

### 3.8 Promotion status of sustainable development and discrepancy with industry standards in sustainable development practices and reasons

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies
	Yes	No	Summary	
1. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the highranking management with the implementation and supervise the status?	V		<p>1. To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it. Please refer to 3.5.</p> <p>2. The Board of Directors approved the Corporate Sustainability Committee charter on August 11, 2021 for the Committee to follow.</p> <p>3. The Company' s CSR dedicated staff is the project secretary of the Corporate Sustainability Committee, responsible for promoting various programs and establishing ESG policies to be approved by the Board of Directors.</p> <p>4. The results of CSR promotion in 2021 were reported to the Board of Directors on December 28, 2021. Please refer to the following section "Other important information to help understand the operation of CSR" for the implementation results.</p> <p>5. The Company' s Corporate Sustainability Committee project secretary participates in external CSR-related workshops to understand how to implement the United Nations' Global Sustainable Development Goals (SDGs) into CSR, and actively engages in external CSR evaluations to improve itself and enhance its social responsibility. The social responsibility education and training courses in 2021 are as follows.</p> <p>(1) Corporate Sustainability Manager course by Taiwan Institute for Sustainable Energy (TAISE).</p> <p>(2) 2021 Corporate Sustainability Manager course - Carbon Emissions, Corporate Governance.</p> <p>(3) Enhance Corporate Strategy and Respond to Sustainable Financial Trends by Implementation of ESG.</p> <p>(4) Social Responsibility, Anti-terrorism, Anti-bribery, Information.</p> <p>(5) Corporate Sustainability Manager.</p> <p>(6) ISO 14067:2018 – Management and Calculation of Carbon Footprint.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<p>● <b>Risk Management</b></p> <p>In the course of business management, prevention and control of possible risks are carried out, and relevant early warning measures are developed. In accordance with the principle of materiality, the Company conducts risk assessment on environmental, social, corporate governance and IT security issues related to its operations, which serve as a reference for the Company' s risk management and operational strategies.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"

		<ul style="list-style-type: none"><li>● Risk Management Policies and Procedures</li></ul> <p><b>Environmental issues</b></p> <p>The Company has established procedures to respond to environmental management issues related to the Company's business, with the main objective of reducing and preventing environmental impacts. The Company has established the following environmental management procedures:</p> <table><tr><th>Environmental Issues</th><th>Response</th></tr><tr><td>Recycling and waste management</td><td>Waste and recyclables management procedures</td></tr><tr><td>Pollution prevention and resource conservation</td><td>Environmental operation management procedures</td></tr><tr><td>Hazardous substance management</td><td>Environmental hazardous substance management procedures</td></tr><tr><td>Water resource management</td><td>Wastewater and plant noise management procedures</td></tr><tr><td>Energy consumption and greenhouse gas emissions</td><td>Energy consumption and greenhouse gas emission management procedures</td></tr></table> <p>The Company obtained ISO14001 certification in Dec 2021.</p> <p><b>Social issues</b></p> <p>In terms of social issues, a safe and healthy working environment for our employees is the Company' s top priority. To ensure the physical and mental health of our employees and to enhance the safety of the workplace environment, we have a "Social Responsibility Management Manual" in place to regulate and promote workplace safety and the importance of physical and mental health of our employees through employee health checks, fire drills and education and training courses.</p> <p><b>Corporate governance issues</b></p> <p>With respect to corporate governance issues, the Company avoids violating the laws and regulations of the competent authorities to jeopardize the Company' s reputation by setting up the Audit Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee, and establishing the position of Corporate Governance Officer to jointly supervise the Company' s compliance with the relevant laws and regulations and implement corporate governance.</p> <p><b>IT security issues</b></p> <p>The IT security strategy focuses on the three aspects of information security governance, compliance with laws and regulations, and the use of technology to improve overall protection from system to technology and from personnel to organization. In view of the current emerging trend of IT security, such as DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, counterfeit websites, etc., we communicate with international IT security vendors every year, and through the cooperation of projects, we regularly pay attention to IT security issues and plan for responses, and conduct DDoS and ATM attack and defense exercises for different situations to strengthen the response ability of the personnel and expect to detect and block the attacks at the first time.</p> <p>The aforementioned risk management policies for environmental, social, corporate governance and IT security issues were approved by the Board of Directors on December 25, 2020.</p>	Environmental Issues	Response	Recycling and waste management	Waste and recyclables management procedures	Pollution prevention and resource conservation	Environmental operation management procedures	Hazardous substance management	Environmental hazardous substance management procedures	Water resource management	Wastewater and plant noise management procedures	Energy consumption and greenhouse gas emissions	Energy consumption and greenhouse gas emission management procedures	
Environmental Issues	Response														
Recycling and waste management	Waste and recyclables management procedures														
Pollution prevention and resource conservation	Environmental operation management procedures														
Hazardous substance management	Environmental hazardous substance management procedures														
Water resource management	Wastewater and plant noise management procedures														
Energy consumption and greenhouse gas emissions	Energy consumption and greenhouse gas emission management procedures														

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies														
	Yes	No	Summary															
3. Environmental issues (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<div>The Company has established procedures to respond to environmental management issues related to the Company’ s business, with the primary objective of reducing and preventing environmental impacts. The Company has established the following environmental management measures:</div> <table><tr><th>Environmental Issues</th><th>Response</th></tr><tr><td>Recycling and waste management</td><td>Waste and recyclables management procedures</td></tr><tr><td>Pollution prevention and resource conservation</td><td>Environmental operation management procedures</td></tr><tr><td>Hazardous substance management</td><td>Environmental hazardous substance management procedures</td></tr><tr><td>Water resource management</td><td>Wastewater and plant noise management procedures</td></tr><tr><td>Energy consumption and greenhouse gas emissions</td><td>Energy consumption and greenhouse gas emission management procedures</td></tr><tr><td>Environmental management</td><td>ISO14001 Environmental management</td></tr></table> <div>The Company obtained ISO14001 certification in Dec 2021.</div>	Environmental Issues	Response	Recycling and waste management	Waste and recyclables management procedures	Pollution prevention and resource conservation	Environmental operation management procedures	Hazardous substance management	Environmental hazardous substance management procedures	Water resource management	Wastewater and plant noise management procedures	Energy consumption and greenhouse gas emissions	Energy consumption and greenhouse gas emission management procedures	Environmental management	ISO14001 Environmental management	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”
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Water resource management	Wastewater and plant noise management procedures																	
Energy consumption and greenhouse gas emissions	Energy consumption and greenhouse gas emission management procedures																	
Environmental management	ISO14001 Environmental management																	
(2) Does the Company endeavor to improve energy usage efficiency and use renewable materials which have a low impact on the environment?	V		<div>1. The Company’ s main export markets include the European Union (EU) countries, so, in accordance with the Hazardous Substances Standard, we ensure the materials comply with the EU restriction of the use of substance directive, which requests suppliers to provide materials in compliance with RoHS, REACH, and PAHs, as well as certified test reports or self-declaration to make sure no harm to humans and reduced risk to the environment. As of 2021, a total of 210 suppliers, 59.7% of raw materials suppliers (Class F), signed a restriction of hazardous substances agreement with the Company. None was suspended for cooperation due to non-compliance with standards.</div> <div>2. The president and management department promote energy saving The Company follows the regulations and the “Environmental Safety and Health Policy,” the “Environmental Operation Management Procedures,” and the “Wastewater and Plant Noise Management Procedures” in the Company's social responsibility management manual. It discharges pollutants from air, water, or waste according to the standards with the management department’ s inspection and management. The Company also encourages employees to participate in water conservation and incorporates green management into its corporate sustainability strategy. At the same time, the Company has set up a wastewater pre-treatment system to reduce the COD and SS of the wastewater to permitted and approved discharge volume before it is dumped into the sewage sewer to reduce loads of sewage systems. In</div>	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”														

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies								
	Yes	No	Summary									
			<p>2021, there was no violation of wastewater discharge standards.</p> <p>3. 3Waste management is carried out by the general affairs department in accordance with the "Waste and Recyclables Management Procedures." The waste generated during the manufacturing process is general industrial waste, which is mainly organic sludge and scrapped furnace dust from production process, and general waste from company operations. The Company, in accordance with the laws, commissions qualified industrial waste disposal organization to perform the disposal of industrial waste.</p>									
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	V		<p>1. With regard to environmental issues, in view of the impact of climate change on the corporate operations, the Company has identified climate change and hazardous substances pollution as major risks, and has laid down procedures for the management of energy consumption and greenhouse gas emissions, procedures for the management of environmentally hazardous substances and procedures for the management of suppliers/subcontractors, and has reported to the Board of Directors and the Corporate Social Management Committee regularly. The Company departments conduct business inventory and risk identification for climate change, including analysis of risks and opportunities arising from direct or indirect impacts of extreme weather events, and estimates management costs and financial impacts based on a risk management strategy plan as a core of response actions on climate change. The information collected as described above is used to strengthen the Company's climate change governance and to systematically assess financial correlations in order to mitigate risks and seize business opportunities.</p> <table><tr><th>Risk category</th><th>Climate change risk identification</th><th>Climate change opportunity identification</th><th>Possible business items for company operation</th></tr><tr><td>Products and services</td><td>Low carbon products or services</td><td>Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products.</td><td>Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.</td></tr></table> <p>2. The decrease in total emissions was due to lower capacity utilization in 2021 compared to that in 2020. The Company reduced its CO2 emissions due to solar power generation by a total of 888,171kg in 2021 , which was reduced by 31.44%.</p> <p>4. The diesel stacker usage was reduced from 32.1% to 31.8%.</p>	Risk category	Climate change risk identification	Climate change opportunity identification	Possible business items for company operation	Products and services	Low carbon products or services	Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products.	Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”
Risk category	Climate change risk identification	Climate change opportunity identification	Possible business items for company operation									
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Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies																										
	Yes	No	Summary																											
(4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		<p>1. greenhouse gas emission</p> <p>(1)The Company's greenhouse gas (GHG) inventory refers to ISO14064-1:2018, revealing the emissions of Changhua Plant 1, Plant 2 and Plant 5, and calculation of GHG emissions is not verified by a third party. We are engaged in the manufacturing of sports equipment, and the primary source of greenhouse gas is from purchased electricity, accounting for more than 90% of the total amount in the past four years.The Company is devoted to promoting energy conservation and carbon reduction in the long term by generating electricity through solar power systems to reduce carbon dioxide (CO2) emissions, with the following emission reduction targets:</p> <table><tr><th>Range</th><th>Period</th><th>Coverage Area</th><th>Reduction of CO<sub>2</sub> emissions</th></tr><tr><td>Short term</td><td>2020-2026</td><td rowspan="3">Factory 1 , 2, 5 in Changhua Taipei office and Thaichung office</td><td>Average annual decrease of 800,000kg</td></tr><tr><td>Medium term</td><td>2027-2031</td><td>Average annual decrease of 900,000kg</td></tr><tr><td>Long term</td><td>2031-</td><td>Average annual decrease of 950,000kg</td></tr></table> <p>(2)The Company reduced its CO2 emissions due to solar power generation by a total of 5,932,825kg from 2015 to 2021, with an average annual decrease of 988,804kg, reaching its long-term target.</p> <p>(3)CO2 emissions for the past two years are as follows.</p> <table><tr><th>Item</th><th>2020</th><th>2021</th></tr><tr><td>Emission</td><td>2,824,925 KG</td><td>1,936,754 KG</td></tr><tr><td>Decrease (Solar Power)</td><td>973,534 KG</td><td>988,804 KG</td></tr><tr><td>Total Emissions</td><td>1,851,391 KG</td><td>947,950 KG</td></tr></table> <p>The decrease in total emissions was due to lower capacity utilization in 2021 compared to that in 2020.</p> <p>2. . Water usage</p> <p>(1)Tap water is used for Company' s process and non-process operations in each location, and no other water sources are used. Process water is mainly used in production operations, and the largest part of which is wastewater generated from the surface pre-treatment of the painting process - alkali dipping and film forming. To reduce water wastage, the wastewater from alkali dipping and film forming operations is recycled and reused. The generated wastewater is distributed to the wastewater pre-treatment system pursuant to the regulations. Non-process water is used for employees' daily use, and the sewage is treated to the extent that it complies with the regulations and is dumped into the sewer.</p>	Range	Period	Coverage Area	Reduction of CO <sub>2</sub> emissions	Short term	2020-2026	Factory 1 , 2, 5 in Changhua Taipei office and Thaichung office	Average annual decrease of 800,000kg	Medium term	2027-2031	Average annual decrease of 900,000kg	Long term	2031-	Average annual decrease of 950,000kg	Item	2020	2021	Emission	2,824,925 KG	1,936,754 KG	Decrease (Solar Power)	973,534 KG	988,804 KG	Total Emissions	1,851,391 KG	947,950 KG	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"
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Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies																																
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			<p>(2) Water usage in the most recent 2 years is as follows:</p> <p style="text-align: right;">Units : million liters</p> <table><tr><th>Items</th><th>Coverage Area</th><th>2020</th><th>2021</th></tr><tr><td>Use of water</td><td>Factory 1 , 2, 5 in</td><td>31.947</td><td>21.787</td></tr><tr><td>Water discharge</td><td>Changhua and</td><td>23.653</td><td>19.964</td></tr><tr><td>Water consumption</td><td>Thaichung office</td><td>8.415</td><td>1.823</td></tr></table> <p>The decrease in total waste usage was due to lower capacity utilization in 2021 compared to that in 2020.</p> <p>3. The waste disposal</p> <p>(1) The waste generated during the manufacturing process is general industrial waste, which is mainly organic sludge and scrapped furnace dust from production process, and general waste from company operations.</p> <p>(2) The amount of waste in the most recent 2 years is as follows:</p> <p style="text-align: right;">Units : Tonne</p> <table><tr><th>Items</th><th>Coverage Area</th><th>2020</th><th>2021</th></tr><tr><td>Organic sludge</td><td>Factory 1 , 2, 5 in</td><td>44.830</td><td>40.160</td></tr><tr><td>Scrapped furnace dust</td><td>Changhua</td><td>5.450</td><td>4.660</td></tr><tr><td>General trash</td><td></td><td>144.700</td><td>138.900</td></tr></table> <p>The decrease in total waste disposal was due to lower capacity utilization in 2021 compared to that in 2020.</p>	Items	Coverage Area	2020	2021	Use of water	Factory 1 , 2, 5 in	31.947	21.787	Water discharge	Changhua and	23.653	19.964	Water consumption	Thaichung office	8.415	1.823	Items	Coverage Area	2020	2021	Organic sludge	Factory 1 , 2, 5 in	44.830	40.160	Scrapped furnace dust	Changhua	5.450	4.660	General trash		144.700	138.900	
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Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies															
	Yes	No	Summary																
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<div>The Company has been paying attention to human rights issues and enhancing workplace safety over the years, and has made the following specific management plans with reference to International Bill of Human Rights and workplace safety-related laws and regulations:</div> <table><tr><th>Matter of Concern</th><th>The Company’ s Specific Management Plan</th><th>2021 Number of Case</th></tr><tr><td>Humane treatment</td><td>Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.</td><td>0</td></tr><tr><td>Eliminating unlawful discrimination to ensure equal opportunities in employment</td><td>Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination.</td><td>0</td></tr><tr><td>Prohibition of child labor</td><td>Strictly enforce the requirements of social responsibility management regulations and Labor Standards Act, prohibit the use of child labor and establish procedures for child and youth labor management.</td><td>0</td></tr><tr><td>Freedom of association, collective bargaining, trade union membership and religion</td><td>The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.</td><td>0</td></tr></table>	Matter of Concern	The Company’ s Specific Management Plan	2021 Number of Case	Humane treatment	Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.	0	Eliminating unlawful discrimination to ensure equal opportunities in employment	Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination.	0	Prohibition of child labor	Strictly enforce the requirements of social responsibility management regulations and Labor Standards Act, prohibit the use of child labor and establish procedures for child and youth labor management.	0	Freedom of association, collective bargaining, trade union membership and religion	The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.	0	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”
Matter of Concern	The Company’ s Specific Management Plan	2021 Number of Case																	
Humane treatment	Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.	0																	
Eliminating unlawful discrimination to ensure equal opportunities in employment	Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination.	0																	
Prohibition of child labor	Strictly enforce the requirements of social responsibility management regulations and Labor Standards Act, prohibit the use of child labor and establish procedures for child and youth labor management.	0																	
Freedom of association, collective bargaining, trade union membership and religion	The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.	0																	

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies
	Yes	No	Summary	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		<p>1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee compensation at no less than 1% of the current year's profitability and director compensation at no more than 5% of the current year's profitability. However, the Company's accumulated losses shall have been covered.</p> <p>2. The Company states its employees' obligations through internal meetings and advocacy letters on a regular or occasional basis that they shall comply with the Company's rules and regulations, and keeps records of such advocacy activities. In addition, the Company has established the "Personnel Regulations" and "Annual Mid-term and End-of-Term Employee Performance Appraisal Procedures," which shall be followed to handle all reward and punishment cases in a fair and equitable manner, and are included in the annual performance appraisal indicators, so that employees would understand the Company's determination to follow through on each reward and punishment case.</p> <p>3. The Company's bonus is based on 2% of annual after-tax operating income, which is distributed to all employees after considering their years of service and annual performance evaluation to motivate all employees toward the Company's goals.</p> <p>4. In addition, the purpose of buyback of treasury stock is to transfer shares to employees according to "Mid-term and Annual Employee Performance Evaluation." As of December 31, 2021, 3,040,000 shares were transferred to employees.</p> <p>5. Based on the above performance appraisal results, the Company motivates its employees through employee compensation, bonuses, issuance of treasury shares and employee stock options, and implements a performance appraisal mechanism that is linked to various salary and benefits.</p> <p>6. Please refer to 5.5.1.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"
(3) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		<p>1. The Company complies with the regulations related to occupational safety and has a "Social Responsibility Management Manual" to regulate the safety and health of its employees in the workplace.</p> <p>2. The Company provides employees with annual health checks and follow-up of abnormal test results, with a coverage rate of over 95% of employees per year and annual health checks were already conducted in November 2021.</p> <p>3. 8-10 health programs and lectures in 2021 and weekly promotional e-mails on health and safety.</p> <p>4. Half-yearly fire training in 2021 was held in compliance with Article 13 of the "Fire Services Act" and Article 15 of the "Enforcement Rules of Fire Services Act" to raise the awareness of personnel and to prevent disasters.</p> <p>5. 662 hours of external training and 1,893.5 hours of internal training on workplace safety-related education in 2021. Please refer to 5.5.1.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation status			
	Yes	No	Summary	Discrepancy with industry standards in sustainable development practices and reasons for listed companies
(4) Does the company set up effective career development and training programs for its employees?	V		<p>1. The Company values the long-term career development of its employees, and every year, in addition to the education and training courses required by law, encourages employees to participate in internal and external training to enhance their practical skills.</p> <p>2. Total training hours in 2021 were 5,280.5 hours for internal training courses and 1,005 hours for external training courses.</p> <p>3. In addition, employees are encouraged to enroll in professional courses in colleges and universities after work to improve themselves and provide them with different perspectives on decision-making in the workplace. Thus, there is an in-service training grant program, but no employee applied for it in 2021.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or customer protection policies and grievance procedures?	V		<p>1. Customer health and safety The Company values quality, introduces the ISO operation process, and complies with the relevant governmental regulations on R&amp;D, procurement, production, operation and service process in internal control to ensure the transparency and security of product labeling and service information.</p> <p>2. Customer privacy According to privacy statements as set out in customer service (personal information guarantee policy), customer's personal information shall only be collected for the purpose of providing transaction-related operations, providing other information or services to users, compiling member statistics, conducting surveys or research on Internet activity, or for other lawful use of information, and only internal business personnel shall have the authority to inquire about and access customer personal information.</p> <p>3. Marketing and labelling The Company actively manages products and processes systematically to ensure compliance with international standards and has passed the latest version of ISO9001 Quality Management System and ISO13485 Medical Device Quality Management System. Furthermore, many of our products conform to international safety certifications, including UL/CSA, CE, GS, ROHS, WEEE, and our products and processes are continually endeavoring to be internationally compliant. The Company has a complaint line and e-mail address for handling complaints or disputes to protect consumer rights.</p> <p>4. A "Supplier/Subcontractor Management Procedure" is in place for all suppliers to sign a Supplier Responsibility Commitment prior to collaboration, pledging to comply with relevant national and local labor regulations and social standards.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies
	Yes	No	Summary	
			<p>5. Evaluation is conducted by the Purchasing Department at least once a year according to "Supplier Social Responsibility Examination Form" on 5 topics of labor, health and safety, environment, ethics, and management, and a total of 60 assessment items, requesting suppliers to collaborate, improve and pledge to comply with labor regulations and social standards. Suppliers that do not meet the Company's environmental, occupational safety and social responsibility management requirements will have their contracts terminated or be removed from the supplier list.</p> <p>6. The Company's main export markets include the European Union (EU) countries, so, in accordance with the Hazardous Substances Standard, we ensure the materials comply with the EU restriction of the use of substance directive, which requests suppliers to provide materials in compliance with RoHS, REACH, and PAHs, as well as certified test reports or self-declaration to make sure no harm to humans and reduced risk to the environment.</p> <p>7. The Company launches an investigation into conflict minerals of electronic materials, ensures materials do not contain metals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries, and continuously monitors supply chain commitment to social and environment. Purchase Department actively reviews the website for updates and investigates suppliers every quarter.</p> <p>8. Implementation in 2021 is as follows:</p> <p>(1) As of 2021, a total of 210 suppliers, 59.7% of raw materials suppliers (Class F), signed a restriction of hazardous substances agreement with the Company. None was suspended for cooperation due to non-compliance with standards.</p> <p>(2) 6 suppliers had been investigated in 2021 for electronic materials that did not contain conflict minerals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries.</p> <p>(3) 251 suppliers had been investigated in 2021 for supplier environment, occupational safety and social responsibility management.</p>	

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies
	Yes	No	Summary	
5. Does the Company adopt internationally widely recognized standards or guidelines when producing sustainability reports and reports disclosing the Company's nonfinancial information? Do the reports above obtain assurance from a third party verification unit?	V		The Company voluntarily prepared 2020 CSR reports in accordance with the GRI Guidelines (Core Compliance) and acquired SGS AA1000 Type 1 Moderate level assurance. The mentioned reports were uploaded to the Market Observation Post System on August 31, 2021.	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"
6. If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation: : The Company has formulated the "Sustainable Development Best Practice Principles" to fulfill its corporate social responsibility.				
7. Other important information to facilitate better understanding of the implementation of Sustainable Development: 2021 CSR results:				
Community involvement, social contribution, social services and social benefits	<ul style="list-style-type: none"> <li>• Donated NT\$100,000 to Andrew Charity Association for food packages.</li> <li>• Donated NT\$145,160 to Taida Handball Team.</li> <li>• Donated NT\$100,000 to Taiwan External Trade Development Council for Sharing is Caring project.</li> <li>• Donated NT\$3,000,000 to Chinese Taipei Football Association.</li> <li>• Donated NT\$1,000,000 to National Taiwan University Hospital for Covid-19 prevention project.</li> <li>• Donated NT\$1,000,000 to NCCU Griffins.</li> <li>• Donated NT\$200,108 to National Taitung Senior High School for basketball training.</li> <li>• Donated NT\$117,800 to Dyaco Schoolhouse for reading program and volunteer training.</li> <li>• Donated 6,000 masks to Changhua County Social Welfare Organization.</li> <li>• Sponsored An-con Mental Retardation Training Services R.O.C a treadmill, worth NT\$18,999.</li> <li>• Sponsored Suanglien Foundation for the Visually Impaired exercise courses and equipment, worth NT\$70,000.</li> <li>• Donated a total of NT\$60,000 to Taoshan Primary School, Hsinchu County, Shihlei Primary School, Hsinchu County, and Xingxing Primary School, Taitung County for Dream project.</li> <li>• Sponsored Huashan Social Welfare Foundation equipment, worth NT\$100,000.</li> <li>• Sponsored Chinese Taipei Orienteering Association equipment, worth NT\$260,000.</li> <li>• Donated NT\$140,000 to Taiwan Rett Syndrome Association for individual subsidy project.</li> <li>• Donated NT\$700,000 to College of Public Health, National Taiwan University for scholarship.</li> <li>• Donated NT\$120,000 to Chinese Culture University for underprivileged scholarship.</li> <li>• Donated NT\$200,000 to Eden Social Welfare Foundation for underprivileged children service project.</li> <li>• Sponsored National Yuanli Senior High School equipment, worth NT\$490,000.</li> <li>• Sponsored Changhua County Changhua Arts Senior High School equipment, worth NT\$390,000.</li> <li>• Donated NT\$200,000 to Puli Christian Hospital for healthcare assistance and emergency relief program.</li> <li>• Sponsored Changhua County Private Christian Joy Nursery exercise equipment, worth NT\$130,000.</li> </ul>			

Evaluation Item		Implementation status			
		Yes	No	Summary	Discrepancy with industry standards in sustainable development practices and reasons for listed companies
		<ul style="list-style-type: none"><li>• Sponsored Corporation Changhua Country Joyce-Polio Care Association exercise equipment, worth NT\$140,000.</li><li>• Sponsored Zhongshan Senior Citizens Housing under the Department of Social Welfare and Taipei Municipal Haoran Senior Citizen Home rehabilitation and physical therapy equipment, worth NT\$100,000.</li><li>• Donated NT\$300,000 to Taiwan Fund for Children and Families for the Covid-19 assistance project.</li><li>• Donated NT\$100,000 to Do You A Flavor for the homeless project.</li><li>• Donated NT\$300,000 to Zenan Homeless Social Welfare Foundation for a total of 500 presents.</li><li>• Donated NT\$300,000 to Zenan Homeless Social Welfare Foundation for a total of 6,000 meals.</li><li>• Donated NT\$100,000 to Hondao Senior Citizen's Welfare Foundation for the feeding the poor project.</li><li>• Donated NT\$200,000 to Huashan Social Welfare Foundation for the feeding the poor project.</li><li>• Donated NT\$150,000 to Maria Social Welfare Foundation for the early care center project.</li><li>• Donated NT\$200,000 to Suanglien Foundation for the Visually Impaired for the annual service project.</li></ul>			
	Other social activities	<ul style="list-style-type: none"><li>• Awarded the 6th Taiwan Mittelstand Award by Ministry of Economic Affairs in November 2021.</li></ul>			

### 3.3.9 The Company's Performance of Ethical Management and the Measures

Assessment Item	Implementation Status			Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y	N	Summary	
<p>1. Establishment of policy and program for ethical corporate management</p> <p>(1) Whether the Company has the policy and methods of ethical corporate management approved by the Board of Directors in its charter and outbound documents and whether the Board of Directors and management have fulfilled the commitment to the policy of ethical corporate management.</p>	V		<p>1. The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to state its policy of business with integrity. The Rules is approved by the BOD on August 12, 2019 and Feb 21, 2020.</p> <p>2. The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act and other relevant laws and regulations, and the relevant internal regulations and internal control system shall be jointly followed by employees.</p> <p>3. The Company has stipulated in the "Regulations Governing Procedure for Board of Directors Meetings" that directors shall recuse themselves from any matters in which they have an interest.</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates the business activities with a higher risk of unethical conduct within the business scope; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."</p>	V		<p>1. The Company has stepped up its efforts to educate its purchasing staff to consult and compare prices with multiple suppliers when making purchases and adjusts the contents of purchasing staff's work from time to time as necessary.</p> <p>2. To prevent unethical conduct such as improper donations, sponsorships, illegal political contributions, etc., the Company has established the "Corporate Governance Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" for the handling of major donations, which shall be submitted to the Board of Directors for approval.</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>(3) Whether the Company has established and implemented the operating procedures, behavior guidelines, consequences of violation and complaint system to prevent unethical conduct, and periodically reviews and revises such policies.</p>	V		<p>1. The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to prevent unethical conduct.</p> <p>2. The Company has set up a section for stakeholders on the Company website at <a href="http://www.dyaco.com">www.dyaco.com</a>, where complaints about any unethical conduct can be filed, and the reception unit will immediately investigate and take disciplinary action in accordance with the Company's "Personnel Regulations" and other relevant regulations.</p> <p>3. No complaints about unethical conduct in 2021.</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Implementation Status			Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y	N	Summary	
2. Ethical management practice (1) Whether the Company has evaluated the ethical records of business partners and includes business conduct and ethics related clauses in the contracts.	V		The Company' s business activities are based on the principles of honesty, transparency and accountability. Accordingly, the Company' s "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" state that agents, customers, suppliers or other business partners shall jointly observe the policy of ethical management.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(2) Whether the Company has set up a unit under the Board of Directors which is dedicated to promoting the Company' ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, program to prevent unethical conduct, supervision and implementation.	V		<p>1. The Company has designated the Management Department as a dedicated unit under the Board of Directors, which established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and regularly reports to the Board of Directors on the implementation of the principles, urges the Company to prevent unethical acts, and reviews the effectiveness of its implementation and continuous improvement from time to time to ensure the performance of the ethical management policy.</p> <p>2. The report on 2021 promotion of ethical management was reported to the Board of Directors on December 28, 2021.</p> <p>3. The Company has implemented the policy of ethical management, with a summary of the implementation status in 2021 as follows:</p> <p>(1) The 2021 educational training related to ethical management practices includes various regulatory advocacy (see Note 1) for a total of 1,735 hours.</p> <p>(2) The Company has a complaint and reporting system according to the "Corporate Governance Best Practice Principles," the "Ethical Corporate Management Best Practice Principles," and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" and a protection mechanism for whistleblowers, with 0 external whistleblowing case and 0 internal whistleblowing case in 2021.</p> <p>(3) The Company voluntarily prepared 2020 CSR reports in accordance with the GRI Guidelines (Core Compliance) and acquired SGS AA1000 Type 1 Moderate level assurance. The mentioned reports were uploaded to the Market Observation Post System on August 31, 2021.</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Implementation Status			Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y	N	Summary	
(3) Whether the Company has established policies to prevent conflict of interests and provided, as well as faithfully executed, proper channels for complaints.	V		<ol style="list-style-type: none"> <li>1. The Company has set up a section for stakeholders on the Company website at <a href="http://www.dyaco.com">www.dyaco.com</a>, where stakeholders may contact the Company' s dedicated unit in a timely manner through various channels.</li> <li>2. The Company has the "Rules of Procedures of the Board Meeting," under which a director or a juristic person he/she represents who has an interest in the agenda matters at the meeting shall state their interest at the Board meeting, and shall not join the discussion and voting, nor shall they exercise their voting rights on behalf of other directors. In addition, directors are required to recuse themselves from the meeting in which they have an interest in order to avoid conflicts of interest.</li> </ol>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(4) To implement relevant policies on ethical corporate management, whether the Company establishes effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and ethical conduct program audited by internal auditors or CPAs periodically.	V		<ol style="list-style-type: none"> <li>1. The Company has an accounting system and a dedicated accounting unit, and financial reports are audited or reviewed by CPAs to ensure the fairness of the financial statements.</li> <li>2. The Company establishes an internal audit system and a self-assessment system to maintain an effective and appropriate internal control system.</li> </ol>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(5) Whether the Company regularly provides internal or external education and training on ethical corporate management.	V		<ol style="list-style-type: none"> <li>1. The Company designates the Management Department as a dedicated unit to promote the concept of ethical management from time to time and discloses this policy on the Company website at <a href="http://www.dyaco.com">www.dyaco.com</a>.</li> <li>2. The 2021 educational training regarding ethical business practices includes various regulatory advocacy for a total of 1,735 hours. Please see Note 1 for details.</li> </ol>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>3. Status of the Company' s reporting system</p> <p>(1) Whether the Company has formulated concrete reporting and rewarding system, as well as convenient reporting channels, and designated specific person handling the reporting.</p>	V		<ol style="list-style-type: none"> <li>1. The Company provides a channel for employees to make suggestions, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. If an employee files a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in accordance with the principle of confidentiality and protection of the whistleblower.</li> <li>2. A section for stakeholders is disclosed on the Company website, stating that stakeholders may contact the Company' s dedicated unit in a timely manner through various channels (<a href="http://www.dyaco.com">www.dyaco.com</a>).</li> </ol>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Assessment Item	Implementation Status			Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Y	N	Summary	
(2) Whether the Company has established standard operating procedures for investigating complaints received, follow-up procedures and related confidentiality mechanism.	V		<p>1. The Company provides a channel for employees to make suggestions, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances.</p> <p>2. A section for stakeholders is disclosed on the Company website, stating that stakeholders may contact the Company's dedicated unit in a timely manner through various channels (www.dyaco.com).</p> <p>3. If an employee files a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in a confidential manner to protect the whistleblower under the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management."</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
(3) Whether the Company adopts measures to prevent a complainant from improper treatment.	V		In the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," it is stated that the Company shall protect the privacy and other personal interests of the parties concerned during the investigation of the complaint cases, the personnel involved in the investigation and deliberation shall be responsible for the confidentiality of the complaint, and violators shall be punished in accordance with the provisions of the Company's "Personnel Regulations."	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>4. Intensifying information disclosure</p> <p>(1) Whether the Company discloses its "Ethical Corporate Management Best Practices Principles" as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS).</p>	V		The Company discloses information on the implementation of the "Ethical Corporate Management Best Practice Principles" on the Market Observation Post System and the Company website at www.dyaco.com.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"
<p>5. If the Company has established ethical corporate management principles according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Company," specify any discrepancy between the policies and their implementation: The Company has established the "Ethical Corporate Management Best Practice Principles" to perform good business practices and fulfill its social responsibility, with no material differences between the implementation and the principles.</p> <p>6. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review and revision to the Company's ethical corporate management): The Company upholds ethical corporate management and takes into account the needs of its stakeholders to ensure business sustainability.</p>				

Note 1: The 2021 educational training regarding ethical business practices

Course	Hours	Number of People
2021 Prevention of Insider Trading Advocacy Meeting	3	3
Business Objectives and Budget Management	7	1
Compliance Audit Practice for Corporate "Investment" and "M&A"	6	1
The 13 <sup>th</sup> Taipei Corporate Governance Forum	6	2
Labor Relations Course	54	1
Compliance of Quality System Documents (QSD) of Medical Device Quality Management System Regulations by Medical Device Manufacturers Seminar	3	1
Regulatory Compliance Strategy for Medical Device	3	1
Clinical Trial Protocols and Proposals for Medical Device	6	1
Social Responsibility, Anti-terrorism, Anti-bribery, Information	547	3

### 3.3.10 Implementation of Internal Control System

#### 3.3.10.1 Internal Control System Statement

**Dyaco International Inc.**

##### **Internal Control System Statement**

Date: March 31, 2022

In 2021, the Company conducted an internal audit of its internal control system and hereby declares the following:

The Company acknowledges and understands that the establishment, enforcement, and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the Company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.

There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2021 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

This statement was passed by the Board of Directors on March 31, 2022, with none of the six attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Dyaco International Inc.

Chairman: Lin, Ing-Gin

General manager: Chen, Ming-Nan

3.3.10.2 If the Company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

3.3.10.3 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations during the most recent year or during the current year up to the date of publication of the annual report, specify the contents of

the penalty, major deficiencies and improvement: None.

### 3.3.11 Material resolutions of shareholders meeting or Board of Directors meeting during the most recent year or during the current year up to the date of publication of the annual report:

#### 3.3.11.1 Material resolutions of shareholders meeting

Date	Type	Material Motions	Resolutions
2021.08.27 (Originally set on 2021.05.28)	Regular shareholders meeting	<b>Report matters</b>	
		(1) To report the proposal for cash distribution of 2020 earnings.	The Board of Directors on March 30, 2021 decided to distribute cash dividends to shareholders in the amount of NT\$953,026,905 (NT\$7.50 per share), and set June 25, 2021 as the exdividend date and July 30, 2022 as the cash dividend payment date, which were completed based on the above schedule.
		<b>Ratifications matters</b>	
		(1) To accept 2020 Business Report and Financial Statements.	The proposal was adopted by shareholders meeting at August 27, 2021.
		(2) To approve the proposal for distribution of 2020 earnings.	A. The proposal was adopted by shareholders meeting at August 27, 2021. B. For the 2020 financial statements, the Company recorded net income after tax of \$1,321,109,133, used defined benefit calculations for remeasurement to include retained earnings of \$846,096, provided for legal reserve of \$132,026,304 and special reserve of \$69,815,207, and added to the opening undistributed earnings of \$91,114,635, the total available for distribution was \$1,209,536,161. The proposed distribution of cash dividends to common stock is \$953,026,905. C. A motion for the distribution of cash dividends can be found in the first proposal of the aforementioned report.
		<b>Discussion matters</b>	
		(1) Amendment to the "Handling procedures for acquisition or disposal of assets."	The proposal was adopted by a vote, which are disclosed on the company website on August 27, 2021.
		(2) Amendment to the "Rules of Procedure for Shareholders Meetings."	The proposal was adopted by a vote, which are disclosed on the company website on August 27, 2021..

#### 3.3.11.2 Material resolutions of Board meeting

Date and Term	Material Motions	Resolutions
The 5 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on March 4, 2021	(1) Amendment to handling procedures for acquisition or disposal of assets.	All directors present approved.
	(2) Amendment to the rules governing the proceedings of shareholders meetings.	All directors present approved.
	(3) Adoption of endorsements/guarantees procedures for President Plastic Products MFG. Co., Ltd.	All directors present approved.

Date and Term	Material Motions	Resolutions
	(4) Appointment of dedicated chop and custodian for endorsements/guarantees of President Plastic Products MFG. Co., Ltd.	All directors present approved.
	(5) President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company.	All directors present approved.
	(6) The Company made endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	All directors present approved.
	(7) The establishment of the eco-friendly paper containers company.	All directors present approved.
The 6 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on March 30, 2021	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Approval of 2020 annual financial statements and business report.	All directors present approved.
	(3) Approval of 2020 statement of internal control system.	All directors present approved.
The 7 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on May 4, 2021	(1) The Company issued the third domestic unsecured convertible corporate bonds.	All directors present approved.
The 8 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on May 14, 2021	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Approval of 2021 the first quarter consolidated financial statements.	All directors present approved.
	(3) Adjustment of the ceilings on the amounts President Plastic Products MFG. Co., Ltd. was permitted to make endorsements/guarantees for the Company.	All directors present approved.
	(4) Change of dedicated chop and custodian for endorsements/guarantees of President Plastic Products MFG. Co., Ltd.	All directors present approved.
	(5) Spirit Manufacturing Inc. underwrote a capital increase of subsidiary Spirit Direct, LLC.	All directors present approved.
	(6) Adoption of handling procedures for acquisition or disposal of assets for President Plastic Products MFG. Co., Ltd.	All directors present approved.
	(7) The Company acquired right-of-use asset from President Plastic Products MFG. Co., Ltd.	All directors present approved.
The 9 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on June 28, 2021	(1) The Company made endorsements/guarantees for sub-subsidiary Fuel Spirit International Inc. (Mauritius).	All directors present approved.
	(2) The Company made loans to sub-subsidiary CARDIO Fitness.	All directors present approved.
	(3) Construction of the plant in Taichung Dajia.	All directors present approved.
	(4) Spirit Manufacturing Inc. expanded warehouses and office premises.	All directors present approved.
	(5) Donation to Chinese Taipei Football Association.	All directors present approved.
The 10 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on August 11, 2021	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Approval of 2021 the second quarter consolidated financial statements.	All directors present approved.
	(3) The Company made endorsements/guarantees for subsidiary President Plastic Products MFG. Co., Ltd.	All directors present approved.
	(4) Investment in City Sport Co., Ltd (Thailand).	All directors present approved.
	(5) Investment in Morsel, Inc.	All directors present approved.
	(6) Adjustment of group investment structure.	All directors present approved.
	(7) Capitalization of brand licensing renewal in accordance with accounting principles.	All directors present approved.
The 2 <sup>nd</sup> special meeting of the 11 <sup>th</sup> Board on September 29, 2021	(1) The fourth buyback of treasury stock.	All directors present approved.
The 11 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Determining whether there were loaning funds to unrelated parties in	All directors present approved.

Date and Term	Material Motions	Resolutions
November 12, 2021	this quarter.	
	(3) Approval of 2021 the third quarter consolidated financial statements.	All directors present approved.
	(4) The Company underwrote a capital increase of subsidiary Wing Long Co., Ltd.	All directors present approved.
	(5) The Company cancelled endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	All directors present approved.
	(6) Amendment to endorsements/guarantees procedures for President Plastic Products MFG. Co., Ltd.	All directors present approved.
	(7) The Company made endorsements/guarantees for subsidiary Cikayda Inc.	All directors present approved.
	(8) Adjustment of the ceilings on the amounts of collateral President Plastic Products MFG. Co., Ltd. provided to the Company.	All directors present approved.
	(9) President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for subsidiary Cikayda Inc.	All directors present approved.
The 12 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on November 29, 2021	(1). Acquisition of UK online sports and fitness equipment seller Sweatband.com Ltd.	All directors present approved.
	(2). The Company made endorsements/guarantees for sub-subsidiary CARDIO Fitness.	All directors present approved.
The 13 <sup>th</sup> meeting of the 11 <sup>th</sup> Board on December 28, 2021	(1) The Company made loans to subsidiary City Sport Co., Ltd (Thailand).	All directors present approved.
	(2) The Company made loans to subsidiary Sweatband.com Ltd.	All directors present approved.
	(3) Amendment to the Company' s internal control policies and internal audit procedures.	All directors present approved.
	(4) The Company cancelled endorsements/guarantees for subsidiary Dyaco UK Ltd.	All directors present approved.
	(5) 2021 Assessment of independence of CPAs.	All directors present approved.

3.3.12 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors during the most recent year or during the current year up to the date of publication of the annual report: None.

3.3.13 During the most recent year or during the current year up to the date of publication of the annual report, the Company' s chairman, general manager, accounting director, financial director, chief internal auditor, corporate governance director and R&D director had resigned or been dismissed: None.

#### 3.4 CPA' s Fee Information

Unit: NT\$1,000

Accounting Firm	Name	Period	audit fees	non-audit fees	Total	Note
Deloitte & Touche	Mr. Hsieh, Chien-Hsin Ms. Chen, Chao-Mei	110/1/1~ 110/12/31	4,544	301	4,845	The non-audit fees were incurred for the 2021 transfer pricing report.

3.4.1 The Company changes the CPA firm and the audit fee paid in the year of change of firm is less than that in the year before the change of firm: None.

3.4.2 The audit fee is reduced by over 10% from the previous year: None.

### 3.5 Information on Replacement of CPA

If the Company has replaced its CPA within the last 2 years or any subsequent interim period, it shall disclose the following information: None.

3.6 Where the Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

3.7 Any transfer of equity interests or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

3.7.1 Change in equity interests of the Company's directors, supervisors, managerial officers, and ten-percent shareholders

Unit: Shares

Title	Name	2021		For the year ended March 31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Lin, Ing-Gin	(15,000)	(750,000)	0	0
Director	Liao, Liang-Bin (Note 1)	0	(1,017,000)	0	0
Director	Zhuang, Zhu-Wei	0	0	0	0
Director	Chang, Chih-Chuan	0	0	0	0
Independent Director	Hsieh, Chang-Hung	0	0	0	0
Independent Director	Wang, Kai-Li	0	0	0	0
Independent Director	Wang, Chih-Cheng	0	0	0	0
CEO	Hsu, Wen-Bin	36,000	0	13,000	0
COO	Tseng, Yu-Hsiang (Note 2)	0	0	0	0
General Manager	Chen, Ming-Nan	(182,000)	0	13,000	0
Executive V.P. and Chief Financial Officer	Wu, Mei-Hua	383,000	0	7,000	0
Executive V.P.	Li, Chi-Jung	6,000	0	(1,000)	0
Senior V.P. Chief Accountant Officer and Chief of Corporate Governance	Chiu, Yuan-Sheng	40,000	0	10,000	0
Senior V.P.	Huang, Hsuan-Fu	5,000	0	8,000	0
Senior V.P.	Hsu, Li-Wen	57,000	0	(37,000)	0
Senior V.P.	Huang, Yu-Chih	79,000	0	7,000	0
Senior V.P.	Lo, Teng-I	(121,000)	0	8,000	0
Senior V.P.	Lin, Shih-Chieh	14,500	0	7,000	0
CTO	Brian Keith Murray	10,000	0	11,000	0
V.P.	Lin, Wei-Hsu	0	0	(17,500)	0
V.P.	Li, Che-Jung	0	0	0	0
V.P.	Li, Mei-Yu	(16,000)	0	6,000	0
V.P.	Wu, Shu-Mei	(45,000)	0	53,500	0
V.P.	Ho, Chieh-Shun	8,914	0	(4,000)	0

Title	Name	2021		For the year ended March 31	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
V.P.	Li, Tai-Lan	(30,000)	0	0	0

Note 1: Resignation dated November 15, 2021

Note 2: Appointment dated March 9, 2022

3.7.2 Where the counterparty in any such transfer of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred:

Name	Reason of Transfer	Transaction Date	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NT\$)
Lin, Shih-Chieh	Donation	2021.04.08	Chen, Mei-Yun	None	8,000	119.00
Chen, Mei-Yun	Donation	2021.04.16	Lin, Siao-Ying	None	8,000	111.50
Hsu, Li-Wen	Donation	2021.07.21	Hsu, Li-Hua	None	20,000	94.70
Lin, Wei-Hsu	Donation	2021.08.25	Lin Wang, Yu-Ling	None	25,000	63.90
Lin, Wei-Hsu	Donation	2021.09.28	Lin Wang, Yu-Ling	None	8,000	58.50
Lin, Ing-Gin	Donation	2021.12.16	Taipei Dyaco charitable foundation	None	10,000	10.00
Lin, Shih-Chieh	Donation	2022.01.17	Lin, Hsiu-I	None	30,000	51.80
Hsu, Li-Wen	Donation	2022.01.18	Hsu, Li-Hua	None	44,000	55.30
Lin, Wei-Hsu	Donation	2022.01.18	Lin Wang, Yu-Ling	None	18,000	55.30
Wu, Mei-Hua	Donation	2022.01.25	Chang, Pei-Chen	None	50,000	48.00
Lin, Wei-Hsu	Donation	2022.02.21	Lin Wang, Yu-Ling	None	18,000	43.20
Wu, Hui-Chen	Donation	2020.11.20	Chen, Po-Wei	None	18,000	120.00

3.7.3 Where the counterparty in any such pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares pledged: None.

3.8 Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

March 29, 2022 / Unit: Shares

Name	Shareholding		Spouse & Minor		Shareholding in the Name of Others		Relationship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Lin, Ing-Gin	10,038,283	7.48%	-	-	30,544,723	22.78%	GUANG-YING LIMITED	Representative	-
							YONG-HENG INVESTMENT CORPORATION	President	
							CHIH-LING INVESTMENT CORPORATION	President	
							CHUAN-FENG INVESTMENT CORPORATION	Major shareholder	
GUANG-YING LIMITED Representative: Lin, Ing-Gin	9,796,727	7.30%	-	-	-	-	Lin, Ing-Gin	Representative	-
CHUAN-FENG INVESTMENT CORPORATION Representative: Yang, Tao	8,111,882	6.05%	-	-	-	-	Lin, Ing-Gin	Major shareholder	-
	-	-	3,000	0.00%	-	-	-	-	
Dyaco International Inc.	7,114,000	5.30%							
HO, I-HSING INVESTMENT CORPORATION Representative: Yang, Hsiu-Yu	6,865,725	5.12%	-	-	-	-	-	-	-
	-	-	1,470,015	1.10%	-	-	-	-	-
YONG-HENG INVESTMENT CORPORATION Representative: Lin, Ing-Gin	6,318,057	4.71%	-	-	-	-	Lin, Ing-Gin	President	-
CHIH-LING INVESTMENT CORPORATION Representative: Lin, Ing-Gin	6,318,057	4.71%	-	-	-	-	Lin, Ing-Gin	President	-
Chanitex Co., Ltd.	2,455,000	1.83%							
Huang, Kuo-Chieh	1,533,000	1.14%	-	-	-	-	-	-	-
Yang, Hsiu-Yu	1,470,015	1.10%							

### 3.9 Long-Term Investment Ownership

December 31, 2021 / Unit: 1,000 Shares

Investee	Ownership by Dyaco		Direct/ Indirect Ownership by Directors, Supervisors and Management		Total Investment	
	Shares	%	Shares	%	Shares	%
Dyaco International Holding Limited	290,634	100	-	-	290,634	100
Fuel Spirit International Inc.	-	-	12,400	100	12,400	100
Dyaco Europe GmbH	-	100	-	-	-	100
CARDIO fitness GmbH& Co. KG	-	-	-	100	-	100
CARDIO fitness Verwaltungs GmbH	-	-	-	100	-	100
Dyaco UK Ltd.	-	100	-	-	-	100
Spirit Manufacturing Inc.	-	-	1,667.5 Shares	100	1,667.5 Shares	100
Spirit Direct, LLC	-	-	-	100	-	100
Sole Inc.	-	100	-	-	-	100
Fitness Equipment Service, LLC	-	-	-	100	-	100
Dyaco Canada Inc.	-	-	1,000 Shares	100	1,000 Shares	100
Neutron Ventures Ltd.	292,666	80	-	-	292,666	80
Interactive Online Commerce Ltd.	-	-	-	100	-	100
Neutron Ventures Poland S.p. Z.o.o	-	-	-	100	-	100
Sweatband.com Ltd.	-	-	-	100	-	100
City Sport (Thailand) Co., Ltd.	176,000	44	-	-	176,000	44
Dyaco Japan Co., Ltd.	1,020 Shares	100	-	-	1,020 Shares	100
Dyaco (Shanghai) Trading Co., Ltd.	-	-	-	100	-	100
Dyaco Health Technology (Beijing) Co., Ltd.	-	-	-	100	-	100
Shelton Corporation (Jiaxing), Ltd.	-	-	-	60	-	60
President Plastic Products MFG. Co., Ltd.	1,110	100	-	-	1,110	100
Wing Long Co., Ltd.	2,500	100	-	-	2,500	100
Cikayda Inc.	2,000	100	-	-	2,000	100
Daan Health Management Consulting Co., Ltd.	1,000	100	-	-	1,000	100

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Sources of Capital

March 29, 2022

Unit: 1,000 Shares; NT\$1,000

Y/M	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Source	Subscriptions paid with property other than cash	Other
2007.05	10	10,000	100,000	10,000	100,000	Cash capital 71,000,000	-	Note 1
2008.04	10	25,000	250,000	25,000	250,000	Cash capital 150,000,000	-	Note 2
2008.12	10	36,510	365,100	36,510	365,100	Cash capital 115,100,000	-	Note 3
2009.12	10	70,000	700,000	47,990	479,900	Capital reserves 15,800,000 Cash capital 99,000,000	-	Note 4
2011.04	20	70,000	700,000	49,490	494,900	Cash capital 15,000,000	-	Note 5
2011.06	40	70,000	700,000	51,000	510,000	Cash capital 15,100,000	-	Note 6
2011.08	10	100,000	1,000,000	64,770	647,700	Capital reserves 137,700,000	-	Note 7
2012.10	10	100,000	1,000,000	68,109	681,088	Capital reserves 33,388,000	-	Note 8
2015.03	33	100,000	1,000,000	78,109	781,088	Cash capital 100,000,000	-	Note 9
2015.09	10	100,000	1,000,000	82,014	820,142	Capital reserves 39,054,000	-	Note 10
2016.09	10	100,000	1,000,000	92,950	929,502	Cash capital 109,360,000	-	Note 11
2019.09	10	150,000	1,500,000	96,063	960,635	Capital reserves 31,133,000	-	Note 12
2019.11	10	150,000	1,500,000	96,100	961,009	Share capital of 374,000 converted from convertible corporate bonds	-	Note 13
2020.01	39	150,000	1,500,000	115,100	1,151,009	Cash capital 190,000,000	-	Note 14
2020.07	10	200,000	2,000,000	120,981	1,209,820	Share capital of 58,311,000 converted from convertible corporate bonds and 500,000 converted from employee stock option certificates	-	Note 15
2020.10	10	200,000	2,000,000	131,149	1,311,496	Share capital of 99,176,000 converted from convertible corporate bonds and 2,500,000 converted from employee stock option certificates	-	Note 16
2021.01	10	200,000	2,000,000	132,652	1,326,523	Share capital of 14,027,000 converted from convertible corporate bonds and 1,000,000 converted from employee stock option certificates	-	Note 17
2021.04	10	200,000	2,000,000	133,444	1,334,443	Share capital of 5,539,000 converted from convertible corporate bonds and 2,380,000 converted from employee stock option certificates	-	Note 18
2021.07	10	200,000	2,000,000	133,982	1,339,823	Share capital of 5,380,000 converted from employee stock option certificates	-	Note 19
2022.01	10	200,000	2,000,000	134,022	1,340,223	Share capital of 400,000 converted from employee stock option certificates	-	Note 20

Note 1: Fu-Shang-Jian No. 09684564210 dated May 21, 2007

Note 3: Fu-Chan-Ye-Shang No. 09880098210 dated January 17, 2009

Note 5: Fu-Chan-Ye-Shang No. 10083293020 dated May 23, 2011

Note 7: Jing-Shou-Shang-Zi No. 10001175310 dated August 1, 2011

Note 9: Jing-Shou-Shang-Zi No. 10401038990 dated March 10, 2015

Note 11: Jing-Shou-Shang-Zi No. 10501249020 dated October 24, 2016

Note 13: Jing-Shou-Shang-Zi No. 10801154540 dated November 4, 2019

Note 15: Jing-Shou-Shang-Zi No. 10901124080 dated July 17, 2020

Note 17: Jing-Shou-Shang-Zi No. 11001009390 dated January 21, 2021

Note 19: Jing-Shou-Shang-Zi No. 11001122520 dated July 20, 2021

Note 2: Fu-Chan-Ye-Shang No. 09784102410 dated May 9, 2009

Note 4: Fu-Chan-Ye-Shang No. 09891466720 dated December 22, 2009

Note 6: Jing-Shou-Shang-Zi No. 10001159860 dated July 18, 2011

Note 8: Jing-Shou-Shang-Zi No. 10101205290 dated October 5, 2012

Note 10: Jing-Shou-Shang-Zi No. 10401183000 dated September 1, 2015

Note 12: Jing-Shou-Shang-Zi No. 10801121560 dated September 5, 2019

Note 14: Jing-Shou-Shang-Zi No. 10901011200 dated January 30, 2020

Note 16: Jing-Shou-Shang-Zi No. 10901196870 dated October 20, 2020

Note 18: Jing-Shou-Shang-Zi No. 11001066510 dated April 29, 2021

Note 20: Jing-Shou-Shang-Zi No. 11101008790 dated January 18, 2022

March 29, 2022; Unit: Shares

Share Type	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total Shares	
Common Share	134,022,254	65,977,746	200,000,000	-

#### 4.1.2 Shareholder Structure

March 29, 2022; Unit: Shares

Shareholder Structure	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasury Stock	Total
Number of Shareholders	-	4	74	11,451	60	1	11,590
Shareholding (Shares)	-	180,848	44,453,940	77,199,755	5,166,211	7,114,000	134,114,754
Percentage	-	0.13%	33.15%	57.56%	3.85%	5.31%	100.00%

Note: Above is a shareholder structure without any mainland area investors.

#### 4.1.3 Diffusion of Ownership

4.1.3.1 Diffusion of ownership of common shares: The par value for each share is NT\$10.

March 29, 2022

Class of Shareholding (Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	1,267	228,140	0.17%
1,000-5,000	8,290	16,641,357	12.41%
5,001-10,000	1,067	8,323,396	6.21%
10,001-15,000	310	4,007,587	2.99%
15,001-20,000	196	3,627,626	2.70%
20,001-30,000	164	4,286,000	3.20%
30,001~40,000	73	2,647,810	1.97%
40,001-50,000	44	2,011,213	1.50%
50,001-100,000	86	5,947,715	4.43%
100,001-200,000	42	5,626,109	4.19%
200,001-400,000	21	5,399,757	4.03%
400,001-600,000	7	3,402,861	2.54%
600,001-800,000	5	3,300,292	2.46%
800,001-1,000,000	3	2,770,492	2.07%
Over 1,000,001	15	65,894,399	49.13%
Total	11,590	134,114,754	100.00%

8.1.3.2 Diffusion of ownership of preferred shares: None.

#### 4.1.4 List of Major Shareholders

March 29, 2022

Major Shareholders' Name	Shares	Percentage
Lin, Ing-Gin	10,038,283	7.48%
GUANG-YING LIMITED	9,796,727	7.30%
CHUAN-FENG INVESTMENT CORPORATION	8,111,882	6.05%
Dyaco International Inc. (Treasury Stock)	7,114,000	5.30%
HO, I-HSING INVESTMENT CORPORATION	6,865,725	5.12%
YONG-HENG INVESTMENT CORPORATION	6,318,057	4.71%
CHIH-LING INVESTMENT CORPORATION	6,318,057	4.71%
Chanitex Co., Ltd.	2,455,000	1.90%
Huang, Kuo-Chieh	1,533,000	1.14%
Yang, Hsiu-Yu	1,470,015	1.10%

#### 4.1.5 Share prices, the Company's net worth per share, earnings per share, dividends per share, and related information for the past 2 years

Unit: NT\$

Item \ Year		2020	2021	2022/1/1~2022/5/5
Market Price per Share	Highest Market Price	162.00	131.00	56.50
	Lowest Market Price	29.70	51.50	40.50
	Average Market Price	77.22	85.05	47.12
Net Worth per Share	Before Distribution	43.08	34.47	-
	After Distribution	34.65	-	-
Earnings per Share	Weighted Average Shares (thousand Shares)		113,033	126,743
	Earnings per Share	Before Adjusted	11.69	3.48
		After Adjusted	11.69	-
Dividends per Share	Cash Dividends		7.50	2.50
	Stock Dividends	Dividends from Retained Earnings	-	-
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price/Earnings Ratio		6.61	24.44
	Price/Dividend Ratio		10.30	34.02
	Cash Dividend Yield Rate		9.71%	2.94%

Note 1: The dividend distribution for 2021 is subject to the resolution of the shareholders' meeting in 2022.

Note 2: Price/Earnings Ratio = Average Market Price / Earnings per Share.

Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

#### 4.1.6 Company's Dividend Policy and Implementation Thereof

##### 4.1.6.1 Dividend policy as set out in the Articles of Incorporation:

In accordance with the Company's Articles of Incorporation, if there is any earnings in the Company's annual accounts, the Company shall first pay taxes and make up for accumulated deficits, and the next 10% shall be set aside as legal reserve, and special reserve shall be appropriated or reversed as required by law or by the competent authorities; if there is any earnings, the remaining balance, plus the accumulated undistributed earnings from previous years, shall be distributed by the Board of Directors upon a resolution of the shareholders' meeting.

The Company's dividend policy is to distribute dividends in accordance with the overall operating environment and the growth characteristics of the industry, taking into account factors such as undistributed earnings, capital reserves, financial structure and operating conditions, in order to stabilize business development and protect investors' interests. The Company shall distribute the earnings in an amount not less than 10% of the distributable earnings for the year; however, if the amount of distributable earnings is less than 1% of the paid-in capital, it may be transferred to retained earnings without distribution. Shareholder bonuses may be distributed in the form of cash or stock dividends, of which cash dividends are limited to not less than 10% of the current year's shareholder bonuses, except that stock dividends may be paid in full if the cash dividend is less than \$1 per share.

##### 4.1.6.2 Distribution of dividends proposed for the year:

The Company's 2021 annual earnings distribution has been approved by the Board of Directors' resolution on March 31, 2022, with shareholders' bonuses of NT\$317,501,885 and cash dividends of NT\$2.5 per share allotted, and the distribution is calculated using the unconditional rounding below Yuan.

A resolution on the distribution of earnings for 2021 is pending at the shareholders' meeting expected to be held on May 27, 2022.

##### 4.1.7 Effect of any stock dividend distribution (to be adopted by the shareholders' meeting) upon business performance and earnings per share: None.

##### 4.1.8 Compensation of employees, directors and supervisors

###### 4.1.8.1 The percentages or ranges with respect to employee, director and supervisor compensation, as set forth in the company's articles of incorporation

In accordance with the current Articles of Incorporation, the Company shall distribute compensation to employees at a rate not less than 1% of the current year's earnings and to directors at a rate not more than 5% of the current year's earnings, but shall make up for any accumulated losses of the Company. The aforementioned earnings for the year represent the current year's pretax earnings before distributions of compensation to employees and directors. The distribution of compensation to employees and directors shall be made by a resolution of the Board of Directors with the approval of a majority of the presenting directors with at least two-thirds of the directors presenting and shall be reported to the shareholders' meeting. Employee compensation may be in the form of stock or cash and may be paid to employees of the Company who meet certain criteria.

###### 4.1.8.2 The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated

figure:

1. If the Board of Directors approves a change in the amount of employee, director and supervisor compensation, the difference shall be treated as a change in accounting estimates and recorded as profit or loss for the following year, without affecting the recognized financial statements.
2. The distribution of compensation as approved by the Board of Directors:

(1) The amount of compensation for employees and directors distributed in cash or stock. If there is a discrepancy between the estimated amount and the amount recognized in the year of expense, the discrepancy, cause, and how it is treated should be disclosed.

On March 31, 2022, the Company's Remuneration Committee approved the distribution of employee compensation of NT\$5,518,368 and director compensation of NT\$2,000,000, which was approved by the Board of Directors and submitted to the 2022 shareholders' meeting in accordance with relevant regulations. If the actual distributed amount differs from the estimated amount, the difference is treated as a change in estimate.

(2) The amount of compensation for employees distributed by shares as a percentage of net income after tax and total compensation for employees for the period: The proposed distribution of employee compensation is entirely in cash and is therefore not applicable.

4.1.8.3 Report of the shareholders' meeting on the distribution of compensation and the results: The Company's 2021 earnings distribution proposal will be submitted to the shareholders' meeting on May 27, 2022.

4.1.8.4 The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: The employee compensation of NT\$16,235,721 and director compensation of NT\$5,054,929 have been fully paid in cash. There is no discrepancy between the actual distributed amount and the amount recognized.

4.1.9 Repurchase Shares Status:

4.1.9.1 The Company is compliance with Article 28-2 of the Securities and Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.

4.1.9.2 Status of repurchasing its own shares at a centralized securities exchange market

#### Buyback of Treasury Stock (Completed)

Treasury stocks in batches	1 <sup>st</sup> Batch	2 <sup>nd</sup> Batch
Purpose of stock buyback	Transfer ownership of shares to employees	Transfer ownership of shares to employees
Period of stock buyback	2017/12/22~2018/02/21	2020/02/27~2020/03/20
Price range	NT\$40.45~NT\$44.80	NT\$30.15~NT\$36.97
Type and number of shares	Common Share/4,000,000 Shares	Common Share/3,000,000 Shares
Actual amount of buyback shares	NT\$172,339,773	NT\$ 104,927,035
Actual buyback shares as a percentage of scheduled buyback shares (%)	100%	100%
Shares canceled and transferred	3,939,000 Shares	0 Shares
Cumulative number of its own shares	7,114,000 Shares	7,114,000 Shares
Cumulative number of its own shares as a percentage of issued shares (%)	5.31%	5.31%

## 4.2 Issuance of Corporate Bonds

Batch of Buyback	3 <sup>rd</sup> Batch	4 <sup>th</sup> Batch
Purpose of stock buyback	Transfer ownership of shares to employees	Transfer ownership of shares to employees
Period of stock buyback	2020/03/20~2020/05/19	2021/09/30~2021/11/29
Price range	NT\$31.44~NT\$32.93	NT\$60.10~NT\$66.40
Type and number of shares	Common Share /1,565,000 Shares	Common Share/2,488,000 Shares
Actual amount of buyback shares	NT\$50,663,964	NT\$156,988,000
Actual buyback shares as a percentage of scheduled buyback shares (%)	34.78%	62.20%
Shares canceled and transferred	0 Shares	0 Shares
Cumulative number of its own shares	7,114,000 Shares	7,114,000 Shares
Cumulative number of its own shares as a percentage of issued shares (%)	5.31%	5.31%

### 4.2.1 Status of corporate bonds

Unit: NT\$1,000

Type of Corporate Bond	2 <sup>nd</sup> Domestic Secured Convertible Corporate Bonds	
Issue Date	2020.8.24	
Par Value	NT\$100,000	
Issue and Trading Place	Taipei Exchange	
Issue Price	Issued at face value	
Total Amount	NT\$600,000,000	
Interest Rate	0%	
Duration	3 years	
Assurance Institution	Bank SinoPac	
Assignee	Cathay United Bank	
Underwriting Institution	President Securities Corporation	
Singed Lawyer	Handsome Attorneys-at-Law Chiu, Ya-Wen	
Singed CPA	Deloitte & Touche Taiwan/Ms. Chen, Chao-Mei and Mr. Hsieh, Chien-Hsin	
Repayment	Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, exercise repurchase rights in accordance with Article 18 of these Terms, exercise early redemption rights in accordance with Article 17 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity.	
Outstanding Amount	NT\$424,100,000	
Redeption or Advanced Repayment	Please refer to Article 17 and Article 18 of the Company's terms of issuance and conversion of corporate bonds.	
Restrictive Clauses	N/A	
Credit Rating Institution, Credit Rating Date and The Rating	None	
Other Rights Attached	Amount of common shares converted as of the printing date of the annual report	NT\$175,900,000
	Issuance and conversion method	Please refer to the Company's terms of issuance and conversion of corporate bonds.
Shares Dilution & Influence on Stockholders' Equity	Convertible bonds do not have a dilutive effect on the Company's stock until the creditor requests to execute the conversion right. The creditor can choose a more favorable time point for conversion during the convertible period and therefore has a deferred effect on stock dilution. The conversion of convertible bonds into common stock will not only reduce liabilities, but increase shareholders' equity, which in turn will increase net worth per share, thus protecting existing shareholders' equity in the long run.	

Type of Corporate Bond	2 <sup>nd</sup> Domestic Secured Convertible Corporate Bonds
Entrust Institution of Exchange Object	N/A

Unit: NT\$1,000

Type of Corporate Bond	3 <sup>rd</sup> Domestic Unsecured Convertible Corporate Bonds	
Issue Date	2021.6.28	
Par Value	NT\$100,000	
Issue and Trading Place	Taipei Exchange	
Issue Price	Issued at face value	
Total Amount	NT\$1,000,000,000	
Interest Rate	0%	
Duration	3 years	
Assurance Institution	Bank SinoPac	
Assignee	Cathay United Bank	
Underwriting Institution	President Securities Corporation	
Singed Lawyer	Handsome Attorneys-at-Law Chiu, Ya-Wen	
Singed CPA	Deloitte & Touche Taiwan/Ms. Chen, Chao-Mei and Mr. Hsieh, Chien-Hsin	
Repayment	Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, exercise repurchase rights in accordance with Article 18 of these Terms, exercise early redemption rights in accordance with Article 17 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity.	
Outstanding Amount	NT\$1,000,000,000	
Redeption or Advanced Repayment	Please refer to Article 17 and Article 18 of the Company's terms of issuance and conversion of corporate bonds.	
Restrictive Clauses	N/A	
Credit Rating Institution, Credit Rating Date and The Rating	None	
Other Rights Attached	Amount of common shares converted as of the printing date of the annual report	None
	Issuance and conversion method	Please refer to the Company's terms of issuance and conversion of corporate bonds.
Shares Dilution & Influsence on Stockholders' Equity	Convertible bonds do not have a dilutive effect on the Company's stock until the creditor requests to execute the conversion right. The creditor can choose a more favorable time point for conversion during the convertible period and therefore has a deferred effect on stock dilution. The conversion of convertible bonds into common stock will not only reduce liabilities, but increase shareholders' equity, which in turn will increase net worth per share, thus protecting existing shareholders' equity in the long run.	
Entrust Insitution of Exchange Object	N/A	

## 4.2.2 Information on convertible corporate bonds

Unit: NT\$

Type of Corporate Bonds		2 <sup>nd</sup> Domestic Secured Convertible Corporate Bonds	
Item	Year	2021	As of March 29, 2022
Market price of the convertible corporate bonds	Highest	144.10	110.15
	Lowest	105.00	104.00
	Average	123.22	105.80
Conversion price		89.90	
Issue date and conversion price at issuance		August 24, 2020 89.90	
Fulfilling the conversion obligation		Issuing new shares	
Type of Corporate Bonds		3 <sup>rd</sup> Domestic Unsecured Convertible Corporate Bonds	
Item	Year	2021	As of March 29, 2022
Market price of the convertible corporate bonds	Highest	121.00	105.00
	Lowest	103.00	102.50
	Average	116.46	103.53
Conversion price		100.60	
Issue date and conversion price at issuance		June 28, 2021 100.60	
Fulfilling the conversion obligation		Issuing new shares	

4.3 Issuance of preferred shares: None.

4.4 Issuance of global depositary receipts (GDR): None.

4.5 Issuance of Employee Stock Warrants

4.5.1 Unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the annual report, and the effect of such warrants upon shareholders' equity

Employee stock warrants	1 <sup>st</sup> Issuance of Employee Stock Warrants
Date of approval by competent authorities	May 18, 2017
Issue date	December 21, 2017
Units granted	4,000,000 Shares
Units granted to total issued shares (%)	4.30%
Duration	6 years
Fulfilling the obligation	Issuing new shares
Vesting schedule and quota (%)	50 percent for 2 years after the date of grant, 75 percent for 3 years after the date of grant and 100 percent for 4 years after the date of grant.
Units exercised (Shares)	1,724,500
Amount exercised (NT\$)	25,618,800
Units unexercised (Shares)	1,891,500
Exercise price for unexercised units	NT\$36.9
Units unexercised to total issued shares (%)	1.41%
Impact on shareholders' equity	The Company issues employee stock option certificates to attract and retain the necessary professional talent and to motivate employees and enhance their cohesion for the benefit of the Company's shareholders.

Note 1: The Company issued its first employee stock option certificate, which was approved by the Financial Supervisory Commission' s Jin-Guan-Zheng-Fa-Zi No.1060017456 dated May 18, 2017, to issue 4,000,000 units, each of which may be subscribed for one share.

4.5.2 List of executives and the top 10 employees holding employee stock options as of the date of publication of the annual report:

	Title	Name	Number of Option (1,000 Shares)	Option as a Percentage of Issued Shares	Exercised				Unexercised			
					Number of Options (1,000 Shares)	Exercise Price	Amount	Option as a Percentage of Issued Shares	Number of Options (1,000 Shares)	Exercise Price	Amount	Option as a Percentage of Issued Shares
Executive	Consultant	Wang, Ching-Tsung	4,000	2.98%	1,308.5	36.9~40.8	52,082	0.98%	1,891.5	36.9	69,796	1.41%
	President	Chen, Ming-Nan										
	CEO	Ting, Ping-I (Note)										
	Executive V.P.	Wu, Mei-Hua										
	Executive V.P.	Li, Chi-Jung										
	Senior V.P.	Lo, Teng-I										
	Senior V.P.	Wang, Hong-Yo (Note)										
	CTO	Brian Keith Murray										
	Senior V.P.	Hsu, Li-Wen										
	Senior V.P.	Huang, Hsuan-Fu										
	Senior V.P.	Chiu, Yuan-Sheng										
	Senior V.P.	Huang, Yu-Chih										
	V.P.	Ko, Yu-Wen (Note)										
	V.P.	Li, Mei-Yu										
	V.P.	Lin, Hsin-Bao										
	V.P.	Wu, Shu-Mei										
	V.P.	Li, Che-Jung										
	V.P.	Lin, Wei-Hsu										
	V.P.	Lin, I-Chun (Note)										
	V.P.	Liu, Yu-Ching										
	V.P.	Lin, Shih-Chieh										
	President of the Subsidiary	Chen, Ting-Chung										
	Chairman of the Subsidiary	Chem, Heien-Ming										
	V.P. of the Subsidiary	Hsu, Huo-Yin										

Note: Wang, Hong-Yo resigned on July 6, 2018, Ting, Ping-I had job adjustments on June 25, 2019, Ko, Yu-Wen resigned on June 25, 2019, and Lin, I-Chun resigned on February 3, 2020.

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Issuance of Shares in Connection with a Merger or Acquisition or with Acquisition of Shares of Other Company: None.

4.8 Financing Plans and Implementation: As of the printing date of the annual report, the Company has no financing plan that has not been completed or the plan has been completed but the benefits have not been demonstrated.

## V. Business Overview

### 5.1 Business Activities

#### 5.1.1 Business scope

##### 5.1.1.1 Major business activities

CA02990	Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
CC01080	Electronic Parts and Components Manufacturing
CC01990	Electrical Machinery, Supplies Manufacturing
CF01011	Medical Materials and Equipment Manufacturing
CH01010	Sporting and Athletic Articles Manufacturing
CN01010	Furniture and Fixtures Manufacturing
F108031	Wholesale of Drugs, Medical Goods
F109070	Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
F205040	Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
F208031	Retail sale of Medical Equipments
F209060	Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
F219010	Retail Sale of Electronic Materials
F401010	International Trade
CN01010	Furniture and Fixtures Manufacturing
F401171	Alcohol Drink Import
J801030	Athletics and Recreational Sports Stadium
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 5.1.1.2 Percentage of sales revenue

Unit: NT\$1,000, %

Item \ Year	2020		2021	
	Amount	%	Amount	%
Treadmill	6,545,399	49.87%	5,806,638	49.45%
Elliptical	3,260,187	24.84%	2,286,908	19.48%
Bike	1,656,183	12.62%	1,398,360	11.91%
Outdoor Furniture	440,833	3.36%	1,015,807	8.65%
Others	1,221,154	9.30%	1,234,368	10.51%
Total	13,123,756	100.00%	11,742,081	100.00%

##### 5.1.1.3 Current goods and services

The Company's main products are electric treadmills, elliptical machines, exercise bikes and other fitness equipment, medical rehabilitation equipment and lightweight fitness equipment development, manufacturing and sales, with new products planned to be developed including:

R&D Program	Areas of Application
Sports equipment that combines IoT with wearable devices	Recently, the concept of the Internet of Things (IoT) has caught on and wearable device technology is maturing. At present, there are plans to develop various sports equipment by combining the concept of IoT and wearable devices, so that the sports equipment hardware and software computing, exercise programs, health status monitoring are revolutionized.
Treadmill DC energy saving system	Currently, all high-end products in the industry are based on AC inverters, but the AC inverter system with lower speed has poorer performance and less stable power output. The new DC brushless motor and DC inverter system with a high efficiency processor are re-matched to achieve a stable full speed efficiency, which in turn saves energy.
Sports equipment linked to APP cloud platform	After development, it allows consumers to download the app, which can be used to connect to sports equipment for workout planning and recording, and to get data analysis of sports patterns, sales distribution and product reliability through Bluetooth connection in the background. With this app, future product design, marketing and production can be more closely aligned with the needs of users.
MS Kinect balance assessment and training system Phase 2	The current balance assessment systems on the market use extremely expensive force plates, so much so that most hospitals can only use subjective man-made assessment. The Company plans to use MS Kinect to provide an affordable Balance Assessment System solution that can be used universally by small and medium-sized hospitals and even rehab clinics. The continuation of the previous system, together with a foot sensor as a further high-precision sensing application, will significantly increase the measurement accuracy and application level.
UBE upper extremity movement assessment system	Designed for patients with general upper extremity movement disorders, patients with sports injuries, and users who need upper extremity exercise, this product not only provides exercise and rehabilitation functions, but also provides evaluation of left and right limb strength and speed.

## 5.1.2 Industry overview

### 5.1.2.1 Fitness equipment

#### A.Global industry development overview

With exercise becoming popular worldwide and the COVID-19 pandemic raging in 2020, fitness at home is now the norm. To be free from location and time constraints, indoor exercise and fitness equipment provides users with the opportunity to work out in fitness centers and at home when they are unable to do so outdoors or refrain from gathering in training facilities with many people. The fitness equipment market is mainly segmented into "home market," "light commercial market" and "commercial market." The commercial market sales model is mostly sold through commercial procurement channels to clubs, fitness centers, hospitals, etc., and requires a large financial system to back it up. At present, a few large international companies (such as Life Fitness, Techno Gym, Precor and ICON) hold the majority of the market shares; the light commercial market is mostly sold in public spaces such as small gyms and community buildings; while home market has two main types of products with simple functions, small size and large size, professional functions and high durability, and the sales model is sold through specialty stores, large chain stores, general retail channels, etc. The home market currently has many small and medium-sized manufacturers to join the market, resulting in the fragmentation of the home fitness equipment market and a highly competitive pattern.

According to the Allied Market Research industry report, the global fitness equipment market is estimated to reach US\$11.6 billion in 2020 and is forecast to grow at a compound annual rate of 3.3% from 2021 to 2028, bringing an estimated global market size to US\$14.8 billion by 2028. However, in the wake of COVID-19, the global fitness equipment market is projected to rise at a compound rate of around 4.26% per year from 2021 to 2028, reaching an estimated global market

size of US\$16.3 billion by 2028, according to an industry research report published by Verified Market Research in March 2022. In addition, according to an industry report released by Research and Markets in January 2022, the demand for gym equipment market will increase to approximately US\$16.3 billion by 2027 and is forecast to grow at a compound rate of 6.8% per year from 2021 to 2027. In recent years, sports equipment hardware has been connected to software services, mainly through wearable devices, interactive teaching and sports apps combined with artificial intelligence (AI) technology applications to enhance product services, thus contributing to the digital transformation of the sports industry in the aftermath of the 2020 pandemic. Based on Research and Markets' report, the global smart fitness industry market size is estimated to be approximately US\$34.1 billion in 2026 and is forecast to rise at a compound annual rate of 13.33%. According to Vantage Market Research's February 2022 report on the sports-related app and other software services industry, the global sports-related app market will reach US\$5.1 billion in 2021 and is forecast to grow 17.6% compounded annually from 2022 to 2028, reaching US\$15.2 billion; Research and Markets forecasts that the fitness app market will reach US\$25.45 billion by 2027, representing a compound annual growth rate of 29.5%, indicating a significant increase in demand for software services.

With the rapid spread of the COVID-19 disease worldwide in 2020 and despite the introduction of vaccines in response to the outbreak in 2021, there is still much uncertainty about the economic outlook due to the occurrence of coronavirus variants and the escalation in the number of infections, which depends on the availability and effectiveness of the vaccines in mitigating the pandemic. The International Monetary Fund's (IMF) January 2022 World Economic Outlook reports that the overall growth in 2022 and 2023 will be slower than in 2021 due to different fiscal policies that countries put in place to maintain national economic stability, as well as the stability and popularity of vaccines in the second half of 2021 and the gradual recovery of global economic activity with growth rates of 4.4% in 2022 and 3.8% in 2023. In the advanced countries, growth is expected to increase to 3.9% in 2022 and 2.6% in 2023, while economic activity in the US, the Company's primary market, is expected to grow at a rate of 4.0% in 2022 and a slower rate of 2.6% in 2023 due to the revitalization program. The Eurozone countries are also expected to rebound considerably with growth rates of 3.9% and 2.5% in 2022 and 2023 respectively. China was a high-growth country in 2021, with an annual growth rate of 8.1%, rising to 4.8% in 2022 and 5.2% in 2023 as demand increases due to a rebound in global markets.

#### IMF' s World Economic Outlook

	Real GDP; %		
	2021	2022	2023
<b>World Output</b>	<b>5.9</b>	<b>4.4</b>	<b>3.8</b>
<b>Advanced Economies</b>	<b>5.0</b>	<b>3.9</b>	<b>2.6</b>
United States	5.6	4.0	2.6
Euro Area	5.2	3.9	2.5
Germany	2.7	3.8	2.5
United Kingdom	7.2	4.7	2.3
Japan	1.6	3.3	1.8
Canada	4.7	4.1	2.8
<b>Emerging Market and Developing</b>	<b>6.5</b>	<b>4.8</b>	<b>4.7</b>

Economies			
China	8.1	4.8	5.2
India	9.0	9.0	7.1
Russia	4.5	3.5	2.1
Brazil	4.7	0.3	1.6

Source: The January 2022 World Economic Outlook (WEO) published by International Monetary Fund

## B. Major market development overview

The fitness equipment industry is highly correlated with the economic development and demographic structure of the country. From a regional perspective, North America and Europe are currently the most important demand markets for sports and fitness equipment in the world, with a combined market share of nearly 60%. The North American market mainly comprises the United States and Canada, while the European region is dominated by Germany, the United Kingdom, and France, which also indicates a high concentration of demand for fitness equipment market.

### a. The North American market

According to Research and Markets, North America is the largest single market for fitness equipment in the world, with an estimated compound annual growth rate of 2.13% from 2022 to 2028. In addition, the home market will reach US\$6 billion in 2021, and the North American home fitness equipment market is expected to reach US\$8.7 billion in 2031, with a compound annual growth rate of 3.8%, which also shows that the demand market is continuing to grow. As reported by Data Bridge Market Research, the North American fitness equipment market is expected to grow at a compound annual rate of approximately 3.2% from 2022 to 2029. The North American sports-related app market is expected to grow to US\$11.1 billion in 2028, with a compound annual growth rate of 25.8% from 2021 to 2028. According to ReportLinker's industry report, the explosion of COVID-19 has compelled governments around the globe to take a number of strict measures, which has resulted in the transformation of traditional modes of exercise from offline to online. The North American fitness app market is expected to grow at a compound annual rate of 25.8% from 2020 to 2026. As reported by Healthline, the average home gym equipment purchase in the US during the quarantine period was about US\$95.79, and about 64% of people surveyed said they exercised at home more than ever before as the pandemic raged on. Further, a report issued by Medical Xpress indicates that smart fitness equipment market reached US\$3.8 billion in 2021, and is projected to grow at a double-digit rate in 2022.

### b. The European market

According to Triton Market Research's report, Germany, the United Kingdom, and France are the top three countries in terms of the Eurozone's fitness market revenue.

Eurostat statistics report that the prevalence of overweight and obesity among adults in Europe has increased significantly, leading to the rise of a fitness culture. According to Research and Markets, the European fitness market is expected to grow at a compound annual growth rate of 3.78% from 2022 to 2028; the Data Bridge Market Research industry report forecasts that the market value of European fitness equipment is expected to increase to US\$9.1 billion in 2028, with a compound annual growth rate of 6.2% from 2021 to 2028. The European market for sports-related app is expected to grow to US\$7.3 billion in 2028, with a compound annual growth rate of 24.6% from 2021 to 2028.

### c. Other markets

According to Research and Markets, Asia has the highest growth rate in the world, with a projected compound annual growth rate of 6.55% from 2022 to 2028. In addition, according to iResearch (2021 China Smart Sports Fitness Industry Research Report), China's smart sports and fitness industry market size grows from RMB18 billion in 2021 to RMB82 billion in 2025.

Data Bridge Market Research reports that the market value of fitness equipment in Asia Pacific is expected to grow at a compound annual growth rate of 8.3% from 2022 to 2029, and the sports-related app market in Asia Pacific is expected to grow to US\$7.4 billion in 2028, with a compound annual growth rate of 28.8% from 2021 to 2028. The Middle East and Africa sports-related app market will increase to US\$800 million in 2028, with a compound annual growth rate of about 19.5% from 2021 to 2028.

### C. Domestic industry development overview

Taiwan joined the production of fitness equipment in 1980, was recognized by international manufacturers in 1990, introduced foreign fitness equipment production technology, and began mass producing fitness equipment by OEM. Later, due to the low cost of production in China and Southeast Asian countries, Taiwan fitness equipment manufacturers were taking fewer orders. In the face of unfavorable market conditions, Taiwan's fitness equipment industry changed its development strategy to focus on ODM, to fight for the ODM of large enterprises, and to strengthen its own research and development capabilities. The domestic fitness equipment industry was transforming from labor-intensive industry to capital-intensive and technology-intensive industry. With low wage costs and improving production technologies, Taiwan's sports and leisure industry began growing its export sales by a significant amount overseas in 1997. At this stage, sports and leisure became one of the main products exported from Taiwan, which became the main supplier of sports and leisure in the world.

According to Department of Statistics in March 2022, the value of indoor fitness equipment output increased by 68.14% annually in 2021, driven by the prevalence of sports and fitness concepts worldwide and the success of the industry in tapping into the international famous resorts and large chain fitness clubs.

In addition, according to customs import and export trade statistics, from 2017 to 2021, the export value of Taiwan's sports equipment (including general physical exercise, gymnastics or athletic competition items and equipment) has increased year by year, and the export value in 2021 even reached a record high of US\$2.3 billion, as the following table:

Unit: US\$

Year	Amount	Increase (Decrease) %
2017	840,700,705	6.30
2018	894,882,170	6.05
2019	1,053,732,239	17.75
2020	1,423,599,425	35.10
2021	2,396,488,063	68.14

Source: Bureau of Foreign Trade

Taiwan's excellent quality standards and price advantages have enabled many industries to occupy an important position in the world, and the fitness equipment industry is also a competitive industry. The main characteristics of Taiwan's fitness equipment industry include mature

development in manufacturing technology, process improvement, institutional design and styling, complete processing system and flexible production operations, OEM/ODM-oriented and export-oriented, etc.

As Taiwan has a complete industrial processing system, coupled with an adequate supply of raw materials, it is relatively advantageous for our manufacturers to enter high quality, medium and high unit price related products and develop their own brand name in this way. Moreover, most of the relevant manufacturers in our country are small and medium-sized enterprises (SMEs), which makes them more flexible and adaptable compared to other international manufacturers. In the past, domestic manufacturers were constrained by the fact that large foreign manufacturers still held the marketing channel, and they mainly worked for well-known foreign brands as OEMs. However, in recent years, in order to increase sales opportunities for their products, in addition to cooperating with large foreign brands, some Taiwan fitness equipment manufacturers have been moving in the direction of OBM in order to enhance their corporate image and the added value of their products, strengthen their competitiveness, and accelerate the upgrading and transformation of their businesses. Therefore, they have the chance to grasp the relationship between marketing channels and consumers and achieve the purpose of sustainable management.

#### 5.1.2.2 Outdoor furniture

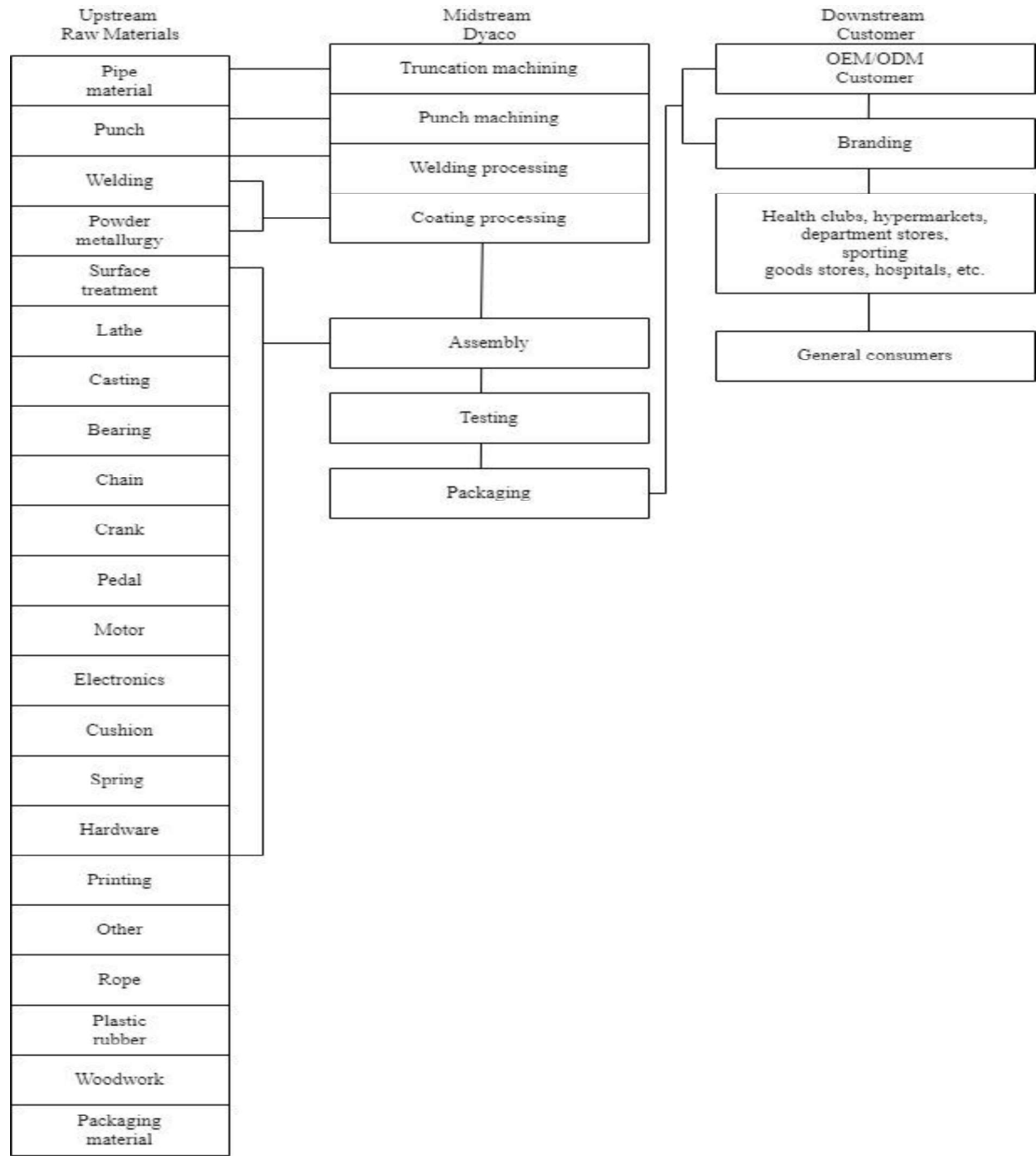
The global demand for outdoor leisure furniture is mainly in Europe and the United States due to the better economic development and higher national average annual income. Europeans and Americans spend more on quality of life and pursue the comfort of leisure life, and their houses mostly have courtyards or terraces where outdoor leisure furniture can be placed, so Europeans and Americans continue to be the largest consumers of outdoor leisure furniture. The earliest outdoor leisure furniture purchased by consumers was a set of tables and chairs. At this stage, in addition to the traditional tables and chairs, umbrella seats, tents and swinging chairs have also been developed. As outdoor leisure furniture is placed outdoors, its use will be influenced by the climatic conditions. When it is the end of winter and the temperature begins to warm up, the consumer demand for outdoor leisure furniture will gradually increase, and the peak buying season occurs at the end of spring and throughout the summer. To meet the public's demand for outdoor leisure furniture, the major channel stores start selling outdoor leisure furniture products at the end of the first quarter of each year and the sales period will continue until the end of summer. The peak production season is concentrated between October and April of the following year. Due to the abovementioned seasonal effects, the off-peak and peak seasons of the industry are more noticeable. Since outdoor leisure furniture is placed outdoors for a long time, it is easy to be affected by the climate and shorten its service life. In addition, consumers' preferred colors and styles change rapidly, so the life cycle of outdoor leisure furniture products is not long. According to a survey conducted by Casual Living, a professional outdoor leisure furniture research organization, the average consumer will replace their original outdoor leisure furniture after 2-4 years of use. Therefore, manufacturers need to continue to innovate to meet consumer demand.

The industry has matured and stabilized so far, and in the future, the major market for outdoor leisure furniture will remain concentrated in countries such as the United States, Canada and Europe, where a stable market size has been formed and the market is more mature. In addition to the demand for

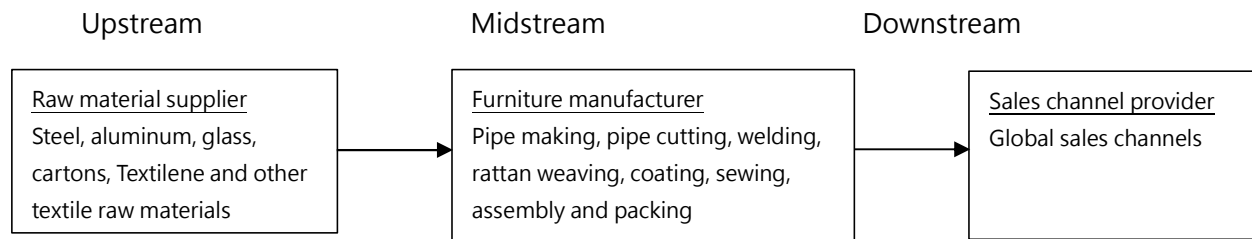
outdoor leisure furniture in Europe and the United States, there are also emerging markets such as Asia, Oceania, Africa and South America. Although the demand for outdoor leisure furniture in emerging markets is not as great as that in Europe and the United States, there is more room for growth in this market, which will drive the continued growth of the global outdoor leisure furniture industry. The global outdoor furniture market is predicted to expand at an annual compound rate of 6.1% from 2021 to 2028, with the market size of US\$29.98 billion, and the Asia Pacific is a fast-growing region in the coming years, which includes countries such as China, Malaysia, South Korea, Singapore and India, as indicated by Data Bridge Market Research.

5.1.3 Upstream, midstream and downstream correlation of industry

5.1.3.1 Fitness equipment



5.1.3.2 Outdoor leisure furniture



#### 5.1.4 Product development trends

##### 5.1.4.1 Fitness equipment

In the past, fitness equipment users were mostly motivated by muscle building or weight control, but with the influence of technology, economic advancement and an aging society, more and more users are taking up fitness activities for other reasons. With the advancement of production technology and the popularity of fitness equipment, the difference between home and commercial workout equipment is becoming more and more blurred, and today's consumers tend to purchase fitness equipment that meets their actual needs based on function and quality. A report by American College of Sports Medicine, "Worldwide Survey of Fitness Trends for 2021," predicts that new global fitness trends this year will include online training, wearable technology, weight training, outdoor activities, and high-intensity interval training. With regard to the supply and demand of fitness equipment in recent years, the following trends are projected for the future development of the industry:

##### A.Low-load exercise equipment

With the increasing awareness of exercise among the elderly and women, the number of fitness equipment users over the age of 45 is on the rise. As a way to prevent the occurrence of sports injuries, low-load exercise equipment is widely advocated for users of different ethnic groups and age groups, such as seniors, children, office workers, women, disabled people, rehabilitation patients, special patients (with knee arthritis or heart disease), etc. Customized fitness equipment that meets the needs of this low-load health workout will be even more desirable.

##### B.Towards user-friendly and personalized design

To allow users to exercise in the most comfortable and safe condition, the fitness equipment gradually incorporates technology into the design, changing the previous steel and hard appearance, all details are oriented towards the ergonomic needs, and the structure is easier to operate and use. The models with user-friendly and personalized trainer function can not only keep track of the user's individual physical needs, ranging from time control and exercise volume to a choice of exercise interval and exercise mode, but also provide the user with progressive guidance through the equipment to achieve the effectiveness of fitness exercise and motivate the user to continue to use.

##### C.Integrating electronic technology development

Compared with the rapid changes in consumer electronics, integrating fitness equipment with electronic products can still be improved. Due to the technological advancement and affordability of electronic products, the use of electronic technology to assist and monitor the workout process will become more popular. The new products with emphasis on program control, body condition monitoring, real-time information feedback and other functions will test the ability of fitness equipment manufacturers to integrate electronic technology.

##### D. Environmental and energy efficiency

With global warming, climate change and energy depletion, there is a growing awareness of the need to save energy and reduce carbon emissions. Though people may not be able to do this in everything they do in life, when spending money on consumer goods or luxury goods, they can consider the reduction of carbon footprint, how to reduce electricity consumption and weight, as well as the use of consumables and parts, so that the product itself can be recognized to a certain extent, and from which comfort can be drawn.

#### 5.1.4.2 Outdoor furniture

The demand for outdoor leisure furniture is mainly driven by factors such as consumer usage demand, lifestyle habits and the environment. As the product is placed outdoors, its durability will be shortened by the weather, and consumer preferences may change as the market trends vary from year to year, resulting in a higher renewal rate of outdoor leisure furniture products.

#### 5.1.5 Product competition

##### 5.1.5.1 Fitness equipment

The fitness equipment industry has entered a mature stage, with a high concentration of product demand, an increasing brand influence, and a growing trend of brand concentration. Competition between brands will bring about a change in the nature of competition in the industry and the polarization of prices in the past. When purchasing fitness equipment, consumers will not only consider the actual demand of exercise, but also attach importance to the brand image and product appearance design. Therefore, to cater to customer needs and maintain brand image, manufacturers will continue to roll out new products in terms of appearance, specification design and functionality, expecting to differentiate themselves from their competitors, but this will also lead to a relatively short product life cycle. As such, in addition to marketing channels, innovative R&D and design capabilities are also key factors in maintaining competitiveness in the fitness industry.

Since the United States remains by far the largest consumer market for the global fitness equipment industry, most of the world's top 10 fitness equipment manufacturers are dominated by American companies. In terms of the competitive environment, the fitness equipment market is divided into household, light commercial and commercial products. For household goods, the main competitors are Icon Fitness and Johnson, with major Chinese manufacturers also joining in; Landice, True Fitness and Johnson are competitors in the light commercial market; Life Fitness, Technogym, Precor, Cybex and Johnson compete in the commercial market. The Company is a major manufacturer and seller of professional fitness equipment for home and commercial use. At present, domestic manufacturers of similar products include Johnson, Rexus, Tonic, SportsArt, Steelflex, Reallusion, Tung Keng, HealthStream and Strength Master, etc. However, except for Johnson and Rexus, which are listed companies, and Strength Master Fitness Tech. Co., which has been registered on the Emerging Stock Market, the rest of companies in the industry are limited in scale.

To continuously enhance the competitiveness of the industry, in addition to keeping abreast of the global market demand, fashion trends and product design direction, we continue to maintain the existing advantages in Taiwan under the threat of low production costs and soaring prices of raw materials, develop innovative products with added value and differentiate them from products made in China, improve international marketing capabilities, maximize our competitive edge in

the international market, and actively explore global business opportunities.

#### 5.1.5.2 Outdoor furniture

Furniture is a traditional industry with mature design and manufacturing technologies, and it is difficult to make a breakthrough in terms of innovation. Continued investment by existing and emerging players has resulted in an overabundance of competitors, making the furniture market more competitive. The Company has a long-standing relationship with a sales customer, which is a well-known outdoor furniture group with international brands and attaches importance to the supervision and control of raw material procurement and manufacturing quality. Each year, we develop a number of new furniture models with reference to market consumption trends to differentiate ourselves from the market and earn the trust of customers with stable prices and quality while maintaining a long and stable relationship with large chain distributors in North America.

#### 5.1.6 Technology and R&D overview

##### 5.1.6.1 The technical level of the business

Our technology comes from our R&D team, domestic upstream manufacturers, market demand, industry and academic research institutions. The Company can further understand the development trend of products and the application of new technologies, and develop products and technologies by being close to the market through our marketing staff, agents and distributors in different countries. If necessary, we consult with professionals and cooperate with schools and research institutions to conduct technical training courses or product testing and analysis to make the overall product development more efficient and effective than competitors.

During the product design planning stage, we evaluate the market and consumer needs, analyze the competition, and design our products under the standards set by the international market, such as CE, EN, GS, EMC & LVD and UL/CSA. At the same time, market surveys are conducted by distributors and agents around the world to understand the market acceptance of the new products and to ensure that the new products meet market expectations in mass production.

##### 5.1.6.2 R&D of the business

The marketing, business and R&D staff present new product development proposals, and then meet with senior executives to discuss their feasibility, and upon approval, project leaders and R&D teams are assigned to carry out: A. Product specification and function determination; B. Overall mechanical appearance, electronic hardware and software design, and electrical and mechanical integration; C. Application of new technology; and D. Product sample prototyping, key components testing/technology development, etc. The Company improves the feasibility of product function specification, reduces design modifications, and preserves the design process data.

The Company has so far applied for or passed patents and certifications in Taiwan, China, the United States, the European Union, etc. As of the end of March 2022, the Company has acquired a total of 119 domestic and foreign patents (including invention, utility model and design), with 12 patents pending. The Company owns more than 162 trademarks.

Our R&D equipment includes SolidWorks industrial design software, COSMOS stress analysis software, Rockwell hardness tester, salt spray tester, vibration tester, tension tester, torque tester, impact tester, microcomputer dynamic fatigue tester, constant temperature and humidity tester,

motor power tester, and electrostatic gun test equipment.

5.1.6.3 R&D expenses invested during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Unit: NT\$1,000

Item	Year	2021 (Per Audited)	2022 Q1 (Per Book)
R&D Expenses		110,751	25,627
Net Operating Revenue		11,742,081	2,259,208
R&D Expenses as a percentage of Net Operating Revenue		0.94%	1.13%

5.1.6.4 Technologies or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. TFT display modules
2. Facial recognition system
3. Bluetooth multimedia streaming
4. Digital training tracking system APP
5. Racing bike with adjustable watch stand
6. Vertical climber
7. Elliptical with multiple pedals
8. Fitness equipment for seniors

5.1.7 Business development plan

The Company sets its future business direction by working out various programs in light of the future industrial development and the overall economic environment trend, so as to enhance its competitiveness. The following is a summary of the Company's short- and long-term business development plans:

5.1.7.1 Short-term development plans

1. Marketing policy

- (1) Build e-commerce marketing tools to increase market share outside the physical channels.
- (2) Enhance third-party sales platform materials and search engine resources to increase brand exposure in various countries.
- (3) Continuously develop brand agents in various countries and establish brand communication platforms.
- (4) Integrate the Company's official websites and fan pages to enhance the Company's image in Taiwan and increase the exposure of domestic products.
- (5) Design global physical channel marketing materials in a consistent manner.
- (6) Continue to build a global channel for the marketing of fitness and medical equipment and seek partners to join our operations.
- (7) Draw up a marketing plan for the Spirit Medical Systems Group range of products.

2. Production policy

- (1) Appropriately expand production capacity and strengthen production management to ensure on-time delivery, quality improvement and cost reduction.
- (2) Integrate industry supply chain, improve management efficiency and quality reliability, set up information sharing mechanisms, respond quickly to end market demand, reduce inventory cost and increase added value.

### 3. R&D policy

- (1) Actively develop new models of SPIRIT and SOLE series to increase consumer choice.
- (2) Expand XTERRA and FUEL product lines to provide consumers with practical and aesthetically pleasing products at a high price-performance ratio with a certain quality.
- (3) Break into the field of medical rehabilitation equipment by strengthening cooperation with academia and through cross-industry alliance and develop products for both the elderly and the mobility-impaired.
- (4) Develop a new TFT system for light commercial and commercial models.
- (5) Develop products with richer entertainment connectivity (APP software and 3C product connection control) to the control instrument.

#### 5.1.7.2 Long-term development plans

- (1) Adhering to the core value of "brand, service and innovation," the Company develops products and creates value based on people's needs, is committed to providing consumers with simple, comfortable and safe products, and continuously focuses on improving the quality of people's workouts and leisure life.
- (2) Besides products, the Company provides brand belief, product creativity and after-sales service experience, which builds up our relationship with our partners. Based on this framework, we continue to expand the international market share of our self-owned brands SPIRIT, XTERRA and FUEL, as well as brand SOLE.
- (3) The Company will continue to be dedicated to R&D technology innovation, and cooperate with the academic community, in the field of medical rehabilitation equipment, to extend the Company's R&D advantages, so that our products can benefit not only the general public, but also those with mobility difficulties or elders at home. Everyone can take pleasure in sports, so as to take care of more people in need of help. After all, we need a healthy body to have a good quality of life.

### 5.2 Market, Production and Sales Overview

#### 5.2.1 Market analysis

##### 5.2.1.1 Areas where the Company's primary products (services) are sold (provided)

Unit: NT\$1,000; %

Sales Region \ Year		2020		2021	
		Sales	%	Sales	%
Domestic		165,743	1.26%	160,319	1.37%
Exports	America	10,923,394	83.23%	9,274,861	78.99%
	China	378,021	2.88%	299,035	2.55%
	Europe	1,197,822	9.13%	1,484,560	12.64%
	Others	458,776	3.50%	523,306	4.45%
Total		13,123,756	100.00%	11,742,081	100.00%

##### 5.2.1.2 Market share

#### 1. Fitness equipment

The Company has long focused on the development, manufacture and sale of fitness equipment, with a focus on household and light commercial products, and is expected to be the number one domestic exporter of home gym equipment as the impact of the epidemic has helped boost the Company's market share. Since there are no commercial or academic institutions that provide relevant market size statistics to calculate the Company's market

share, only the approximate market share is estimated from the statistics for indoor fitness equipment sales released by the statistics department of the Ministry of Economic Affairs, as follows:

Unit: NT\$1,000; %

Year	Sales of Dyaco	Sales of Taiwan	Market Share
2017	3,318,995	19,878,799	16.70%
2018	3,289,437	21,585,083	15.24%
2019	3,544,844	26,334,036	13.46%
2020	8,485,910	35,329,563	24.02%
2021	6,872,833	55,002,347	12.50%

## 2. Outdoor furniture

Outdoor leisure furniture products are sold at different prices depending on the materials used, and similar products may be market segmented by several different price points, so it is not easy to calculate the market share ranking of various manufacturers in this industry. According to Absolute Report's outdoor furniture industry statistics, the global outdoor leisure furniture market size was approximately US\$2.029 billion in 2021, which was approximately NT\$56.2 billion at the average exchange rate of NT\$27.68. The Company's net revenue of outdoor leisure furniture in 2021 was NT\$1.015 billion, so the Company's market share was approximately 1.81% based on the global market size.

### 5.2.2 Future supply and demand conditions and growth of the market

#### 5.2.2.1 Fitness equipment

The global fitness equipment market is mainly concentrated in North America, which accounts for approximately over 60% of the global market. On the demand side, according to Verified Market Research, CPR-related exercise equipment is projected to have a compound annual growth rate of 5.3% from 2019 to 2027, with a market size of US\$2.32 billion in 2027, indicating that exercise and health are now inextricably linked. As the national income of many countries continues to rise, the emphasis on leisure life and physical health is increasing, and the demand for fitness activities is on the rise. The sports population will continue to expand in the years to come, and the sports goods and fitness equipment market will sustain its upward trend. As a result of the 2020 COVID-19 pandemic, according to the IMF's January 2022 World Economic Outlook, the global economic growth rate in 2022 will be slower than in 2021. The major export markets of the industry, the United States and the advanced economies of the Eurozone, grew at 4.0% and 3.9%, respectively. In the post-pandemic era, the growth rate of the sporting goods industry will spike to 4.8% in China, where demand is growing rapidly.

In addition, gender is also one of the driving forces in the consumption trend. Women are more active in fitness activities than men, and the excellent performance of female athletes in recent years has fueled the wave of women using fitness machines. Consequently, it is expected that the U.S. market will continue to grow steadily in the future as the U.S. economy stabilizes and consumer spending power increases.

Advances in technology and medicine have led to a continuous increase in human life expectancy; the global trend has shifted the focus from "living longer" to how to age with quality. The development of the health industry not only brings people a better life, but also contains

unlimited business opportunities. For this reason, governments and industries around the world have invested in the health economy industry to provide more diverse and innovative services to meet the growing demand of the health market. The health promotion services industry includes four main themes: "health management," "diet and health," "sports and fitness" and "mental health." Sports and fitness equipment is an important part of the future development of the industry, the direction of development will no longer be limited to young people, young adults, but the middle-aged, elderly and disabled people. We develop products suitable for these groups, with a focus on gentle, fun and easy-to-use features, to meet the needs of the health care market.

The fitness equipment industry is a proactive sector, as the general public can become customers because they want to be healthier and reduce the signs of ageing. To probe into the future products of the sports equipment industry based on the global age structure, we will move towards the development of high-potential contouring, relaxing sports equipment and high cost-effective health care sports equipment. Additionally, fitness equipment suppliers should evolve towards branding and channel development in the future, expedite the development of multi-functional and special-purpose products, design products based on the basic concept of fitness, and apply more electronic technology to reinforce the integrated marketing and innovation value, so that future fitness equipment will grow steadily under such a development trend.

#### 5.2.2.2 Outdoor furniture

The rise and fall of the furniture industry is often closely linked to the real estate and construction industries. The furniture market in the U.S., the world's leading importer of furniture, has been growing steadily as the population continues to move in and the economy grows, and demand related to the real estate and construction industries continues to expand. From the perspective of furniture demand in the U.S., the proportion of consumer spending on furniture products in the U.S. has remained relatively stable. In recent years, personal spending on furniture has grown at the same rate as total personal spending in the U.S., which shows that the demand for furniture in the U.S. is expanding steadily along with the overall economic development.

U.S. domestic furniture producers are currently facing a challenge of Asian imports, the two main countries for furniture imports in 2019 were China and Mexico, which together provided about 60% of the overall import rate, followed by Vietnam, Malaysia and Indonesia. China's furniture products are well classified and diversified, and there are sufficient supplies in the market; Vietnam is a major exporter of wooden products with low cost and price advantages; Malaysia and Indonesia, which rank behind, have a major presence in the wooden furniture production industry. The imported furniture items have lower labor costs and production overhead compared to those by local U.S. manufacturers, giving them a competitive advantage.

#### 5.2.3 Competitive niche

##### 5.2.3.1 Acquire marketing channels

1. Ownership of four fitness equipment brands SOLE, SPIRIT, FUEL and XTERRA, rehabilitation equipment brand Dyaco Medical, and authorized ultimate fighting brand UFC.
2. With subsidiaries in the U.S., Canada, Japan and China, we are able to respond to customers' needs quickly and accurately grasp the market trend, which helps us to promote our own

brands and raise the competition threshold, by accessing the marketing channels and distribution bases and offering a consistent production process from research and development, production, sales to after-sales service.

3. With more than 130 partners in the international market, the Company operates locally in a cooperative manner, providing mutual support and reducing direct operating costs.

#### 5.2.3.2 Innovative R&D

1. We have a professional team responsible for product appearance design, commercial design, institutional design, 3D drawing, 2D drawing, electronic engineering, finished product life test to safety certification, and due to a professional work division, we can develop 10 to 20 new products in a year and launch them within 6 to 12 months.
2. We have acquired the patents of many innovations and utility models, and continue to make proper use of the arrangement of each patent to raise the entry threshold of market technology.
3. We work with the academic institutes in industrial-academic exchanges and technical cooperation to make the products more diversified and creative.
4. In view of the world's rapidly aging population, Dyaco has been partnering with domestic and overseas academic institutions and large rehabilitation and care centers for many years. Based on the professional R&D technology for fitness equipment software and hardware, the Company is leading the industry in creating a range of high-end rehabilitative medical equipment.

#### 5.2.3.3 Manufacturing efficiency

1. With the introduction of enterprise resource planning software SAP, ERP enables the integration of various departments to boost the efficiency of material procurement management and production.
2. The production process from pipe cutting, pipe bending, (automatic) welding, molding, baking and painting to assembly is fully autonomous, which can not only effectively control the cost but also keep tabs on product quality and production progress.
3. We have a complete quality assurance system, which includes incoming quality control (IQC), supplier quality engineer (SQE), input process quality control (IPQC), final quality control (FQC) and outgoing quality control (OQC), to strengthen the quality control of raw materials and finished products.
4. The Company is able to stand out in every market, keep up with trends, and differentiate itself from the competitors in terms of appearance design, product uniqueness, manufacturing performance, marketing channels and after-sales service.

#### 5.2.3.4 Pros, cons and countermeasures to the development vision

##### 1. Pros

- (1) The industry scale continues to expand as the trend of healthy slimming and body shaping becomes more prevalent.

With the baby boomers' emphasis on quality of life, the young people's stress on body sculptures, the preventive health care and sports trends advocated by various governments, more and more people are putting a premium on leisure sports and the physical, mental and spiritual development of individuals, and coupled with global warming and the growing La Nina phenomenon, the number of people using indoor fitness equipment for sports or leisure will continue to grow.

(2) Well-established supply chain

Having long-term relationships and deep partnerships with upstream suppliers, we are able to have an effective grip on raw material supply, inventory and prices and reflect them in real time.

(3) Innovative design capabilities to keep up with trends

The Company has a complete product development system, and experienced marketing, business and R&D teams consisting of nearly a hundred people, which continue to expand the medium- and long-term cooperation with professional design companies, so that the appearance design of each product reaches a certain level. The R&D team has also been digging into mechanical and electronic system integration and innovation throughout the years to gain a grasp of key technologies, while the marketing department continues to sharpen its grip on the market and keep abreast of trends and fashions, so that the products can meet the market demand and widen their differentiation from the competitors'. We are the first company in Taiwan to successfully transfer the flywheel transmission system to elliptical machines and acquire a design patent on the core key technology, which not only guarantees the possibility of transferring the flywheel system to exercise equipment such as steppers, treadmills, etc., but also allows for the diversification of fitness-related products in the years ahead.

2. Cons

(1) Product homogeneity

There are so many products of the same type in the market—so many choices, but so few differences—that the heterogeneity between products has turned into homogeneity, and it is difficult for general consumers to distinguish the differences between products.

Response:

- A. By empowering the marketing team, the information of market changes can be effectively gathered and the product development direction is aligned with market trends and fashions, and the brand positioning highlights the product differentiation and strategically increases the added value of the product.
- B. With a strong R&D lineup, we develop unique and innovative products to provide consumers with diverse and differentiated choices, while actively developing products in the field of medical rehabilitation equipment.

(2) Multiple competitors and price cutting

As the industry continues to grow, more and more cross-industry competitors (e.g., cycling, medical) and Chinese manufacturers are entering the fray by copying or cutting prices in large numbers, making competition relatively intense.

Response:

- A. Using the brand to increase product recognition and customer loyalty, providing customers with a complete business solution (including marketing, product, after-sales service experience integration), not only unites the efforts of local agents to fight together, but also makes it difficult for consumers to make purchasing decisions only based on price.
- B. Seek strategic alliance partners in potential markets.

- C. We constantly research and develop new products, develop new technologies through industry-academia cooperation or cross-industry alliances, and increase the entry threshold for new product production so that competitors cannot easily imitate.

(3) Increasing production costs

High environmental awareness and fluctuations in raw materials and exchange rates are driving up and down production costs.

Response:

- A. Seek out suppliers that comply with environmental regulations and guide the production of raw materials which meet environmental regulations.
- B. Prepare materials in a systematic way to obtain the advantage of price and supply stability by purchasing in large quantities.
- C. Enhance the ability to keep abreast of the latest international raw material prices in order to determine the future trend and, when the prices are lower, make purchases to meet production needs.

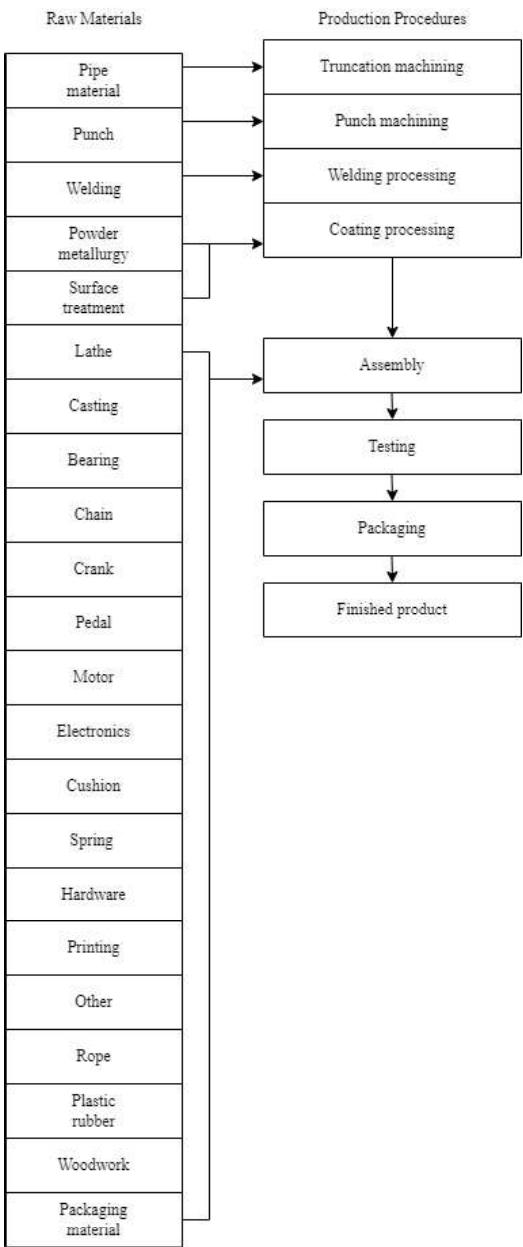
#### 5.2.4 Important uses and manufacturing processes of primary products

##### 5.2.4.1 Important uses of primary products

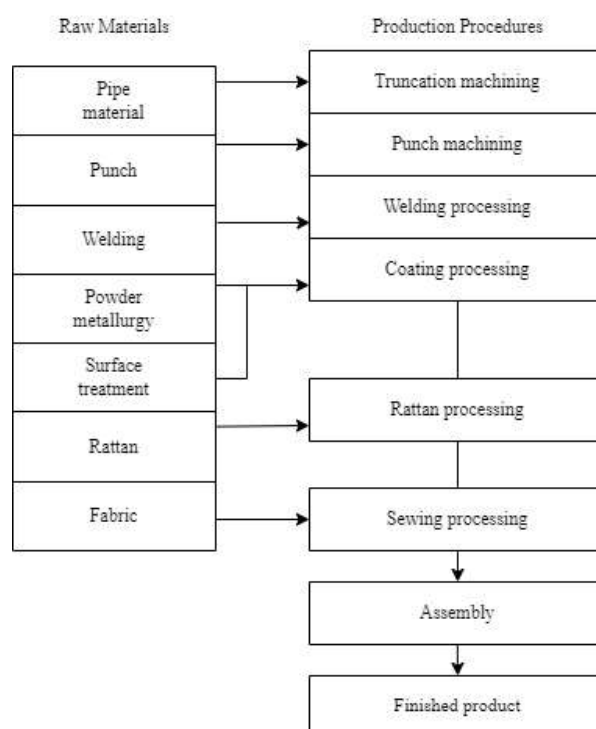
Product Category	Usage
General fitness equipment	Used in homes, hotels, companies, schools, gyms, etc., to burn calories and fat through exercise for healthy body shaping.
Medical rehabilitation equipment	Used in medical institutions, care centers, physiotherapy facilities and at home for the elderly or those with mobility problems.
Lightweight fitness equipment	For general home use and other body shaping exercise.
Furniture	For general home or commercial outdoor use.

5.2.4.2 Manufacturing process

1. Fitness equipment



## 2. Outdoor furniture



### 5.2.5 Supply of major raw materials

Major raw materials	Major suppliers	Supply status
System	Ejek Technology Co, Guangzhou ChuHui Electronics Co., etc.	Good
Plastic	Fun Jie Metal Co., etc.	Good
Motor	Guangdong Wanrui Co., etc.	Good
Metal	Beijiao Mingshang Metal Fittings Factory, etc.	Good

The main raw materials are procured from more than two suppliers, and the Company has maintained good ties with these suppliers due to its economic scale and excellent new product development capabilities. In addition to meeting the production demand in material supply, it will be more beneficial to the supply safety of main materials.

### 5.2.6 List of main procurement/sales suppliers/clients

5.2.6.1 A list of any suppliers accounting for 10 percent or more of the Company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

The Company did not have any supplier accounting for 10 percent or more of its total procurement amount in the last two years.

5.2.6.2 A list of any clients accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

Unit: NT\$1,000; %

Item	2020				2021			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	A Customer	2,844,461	21.67	None	A Customer	1,957,742	16.67%	None

2	Others	10,279,295	78.33	None	Others	9,784,339	83.33%	None
	Net sales	13,123,756	100.00	-	Net sales	11,742,081	100.00	-

The reason for increases or decreases:

Customer A, a U.S. sporting goods retailer, is a major customer of Sole Fitness. Sales decreased in the second half of 2021 compared to 2020 due to lower demand for home exercise equipment.

### 5.2.6.3 Output volume and value during the most recent two years

Unit: NT\$1,000; SET/PCS

Output volume \ Year	2020			2021		
	Capacity	QTY	Amount	Capacity	QTY	Amount
Main Products						
Treadmill	360,000	346,896	3,354,240	330,000	319,643	2,932,162
Elliptical	180,000	177,135	2,124,774	110,000	102,280	1,250,683
Bike	90,000	82,989	756,324	60,000	55,242	557,973
Furniture	-	-	434,965	-	-	851,406
Others	-	-	210,526	-	-	191,005
Total	630,000	607,020	6,880,829	500,000	477,165	5,783,229

Note1: Due to the wide variety of furniture, the total quantity cannot be expressed.

Note2: Production capacity means the amount that the Company can produce under normal operation by using existing production equipment after considering the necessary downtime and holidays; production capacity can be adjusted between different products.

The reason for increases or decreases:

In the second half of 2021, fewer products were available than in the same period last year, owing to a slowdown in demand for home fitness equipment.

On the contrary, the epidemic had a relatively little impact on outdoor furniture, resulting in an increase in demand, which then led to an increase in both production and output value compared to last year.

### 5.2.7 Sales volume and value during most recent two years

Unit: NT\$1,000; SET/PCS

Sales volume \ Year	2020				2021			
	Domestic		Export		Domestic		Export	
Main Products	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Treadmill	1,323	48,136	298,132	6,497,263	1,723	63,017	325,208	5,743,621
Elliptical	1,159	24,893	139,941	3,235,294	1,228	26,170	111,493	2,260,738
Bike	1,321	17,581	233,642	1,638,602	1,545	22,810	182,717	1,375,549
Furniture	-	-	-	440,833	-	-	-	1,015,807
Others	-	75,133	-	1,146,021	-	48,322	-	1,186,047
Total	3,803	165,743	671,715	12,958,013	4,496	160,319	619,418	11,581,761

The reason for increases or decreases:

Lower demand for home fitness equipment in the second half of 2021.

5.3 The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

Year		2020	2021	2022/3/31
Number of employees	Direct Labor	709	674	646
	Indirect Labor	634	667	721
	Total	1,343	1,341	1,367
Average age (Year)		40.49	39.26	42.49
Average years of service (Year)		6.97	7.31	8.62
Education level (%)	PHD	-	-	8.62
	Master	4.58	6.14	0.08
	Bachelor	33.92	34.89	5.47
	Senior High School and below	61.49	58.97	32.22

5.4 Information on environmental protection expense

5.4.1 Setting forth the Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:

5.4.1.1 The Company has obtained a permit for installing anti-pollution facilities, or permit of pollution drainage.

5.4.1.2 The wastewater and sewage generated in the Company's manufacturing process or factory are first treated by a wastewater pre-treatment facility to meet the effluent standards before being discharged through the sewage system. The Company has received a letter of approval from the Industrial Development Bureau of the Ministry of Economic Affairs for the use of wastewater and sewerage underground systems in the Chuanhsing Industrial Zone, with a water pollution prevention permit also obtained, which was issued by the Environmental Protection Bureau of the Changhua County Government.

5.4.1.3 The waste generated by the Company's manufacturing process or factory is removed and disposed of by a qualified waste treatment company, with an industrial waste disposal plan filed in accordance with the regulations.

5.4.1.4 The Company is not an industry or has a manufacturing process listed in the announcement of stationary pollution sources that is obliged to apply for installation, change and operation permits, and thus is not required to set up related facilities and prepare pollution prevention plans, nor is the Company a business entity that is required to set up an air pollution prevention arm thereunder, so it has not had any dedicated units and personnel.

5.4.1.5 The Company has paid the water pollution prevention and control fees in accordance with the regulations

5.4.1.6 The Company obtained ISO14001 certification in 2021.

5.4.2 Describing the process undertaken by the Company on environmental pollution protection and its potential benefits.

Unit: NT\$

Equipment	QTY	Date of acquisition	Investment costs	Non-depreciated balance amount	The purpose and anticipated benefits
Wastewater Treatment Works - Yen Zealously	1	2009/03/31	1,530,000	190,307	Meet the environmental regulations for wastewater discharge.
Wastewater treatment refurbishment works	1	2015/08/01	350,000	205,934	

Wastewater treatment refurbishment works - Pipework for 10-ton plastic drums for acid and alkali storage	1	2020/3/20	160,000	130,667	
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5.4.3 Describing the process undertaken by the Company on environmental pollution improvement for the most recent 2 fiscal years and up to the annual report publication date. If there had been any pollution dispute, its handling process shall also be described: None.

5.4.4 Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.4.4.1 Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years: None.

## 5.5 Labor Relations

Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

### 5.5.1 Employee benefits

The Company's benefits are designed and implemented primarily for the welfare of its employees and the establishment of a functional organization. Through the operation of an Employee Welfare Committee, employees are more willing to participate in the planning and implementation of practical activities. Besides the organization and operation of the Employee Welfare Committee, the following benefits are provided:

1. Providing staff with various internal and external education and training to enhance their professional competence.
2. Providing various staff welfare allowances such as for wedding, funeral, celebration, maternity and paternity leave.
3. Providing bonuses for birthdays, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, etc., as well as domestic and international travel for employees.
4. Paying attention to the physical safety of employees, providing all employees with labor insurance, health insurance, group insurance and health check-ups.

### 5.5.2 Employee continuing education and training

The Company has set forth educational and training management procedures, and provides orientation training for new employees. Current employees may participate in in-house educational and training activities and those assigned by the Company or approved through an application for an external training course as required by their work may have their training costs borne by the Company. Training and drills are carried out to cultivate professional talents and increase work efficiency. In 2021, the total number of hours of internal training courses was 5,280.5 and the total number of hours of external training courses was 1,005.

In addition, employees are encouraged to pursue professional courses at colleges and universities to

expand their professional competency and provide different perspectives for decision-making in the workplace. The Company has an on-the-job training program, but no employee applied for it in 2021.

#### 5.5.3 Retirement system and the implementation

The Company has established rules for the retirement of staff employees and workers under the Labor Standards Act, and each month sets aside a reserve for retirement pensions at a certain percentage of their monthly salaries and wages, which is deposited with the Bank of Taiwan for safekeeping pursuant to the Ministry of the Interior's Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds. If the reserve account is inadequate to cover the actual pension payments, the shortfall is recognized as a current expense. The amount of appropriation for 2021 is NT\$60,000. Effective July 1, 2005, in accordance with the Labor Pension Act, the Company made a defined contribution to the pension plan at the Bureau of Labor Insurance covered by the Act at a rate of 6% of the employee's monthly wages/salaries, with the contribution recorded as current expense. The employee's monthly wages/salaries shall be deducted at a voluntary deposit rate to individual labor pension accounts at the Bureau. The amount of appropriation for 2021 is NT\$18,887,000.

The provisions of the Labor Pension Act applicable to the Company are as follows:

##### 5.5.3.1 Employees who apply for voluntary retirement:

An employee may apply for voluntary retirement in one of the following cases (if he or she has elected the pension mechanism under the Labor Pension Act, the mechanism shall apply):

1. Those who have been working in the Company for 15 years or more and are over 55 years old.
2. Those who have been working in the Company for 25 years or more.
3. Those who have been working in the Company for 10 years or more and are over 60 years old.

##### 5.5.3.2 Employees forced to retire:

The Company shall not force an employee to retire unless any of the following situations has occurred:

1. Where the employee attains the age of 65.
2. Where the employee is unable to perform his/her duties due to mental disorder or disability.

The Company may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or is otherwise of a special nature; provided, however, that the age shall not be reduced below 55.

##### 5.5.3.3 Pension payment standard:

1. The pension shall be paid in accordance with Articles 84-2 and 55 of the Labor Standards Act for those whose seniority of service before or after the said Act is applicable to the enterprise where they work, who choose to be continuously covered by the retirement mechanism in the said Act under the Labor Pension Act, or who reserve their seniority prior to the application of the Labor Pension Act.
2. As set forth in Subparagraph 2, Paragraph 1, Article 55 of the Labor Standards Act, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers who have the years of service referred to in the preceding paragraph and are forced to retire under Subparagraph 2, Paragraph 1, Article 35 due to mental disorder or disability incurred from the execution of their duties.
3. For employees whose pensions are subject to the Labor Pension Act, the Company contributes 6% of their monthly wages on a monthly basis to their individual labor pension accounts.

#### 5.5.3.4 Pension payments:

The Company shall pay pensions to employees within 30 days from the date of receipt by the Company of their applications.

#### 5.5.4 The status of agreements between labor and management

The Company protects the rights and interests of employees in compliance with labor laws and regulations, and upholds the spirit of integrity and pragmatism to implement humane management. Based on the concept of mutual trust and respect between the Company and its employees, good labor relations have been maintained, therefore no major labor disputes have occurred. In addition, the Company has established an Employee Welfare Committee, which is responsible for handling various employee welfare matters and organizing various activities from time to time to enhance the harmonious working atmosphere and to build up a sense of cohesion.

#### 5.5.5 All measures aimed at preserving the rights and interests of employees

The Company has comprehensive regulations to protect the rights and interests of its employees, and regularly reviews and enhances its welfare schemes to ensure that their rights and interests are protected to the highest degree.

#### 5.5.6 Protective measures for the working environment and personal safety of employees

Employees' physical and mental health is an important part of workplace safety besides providing a good working environment in hardware to prevent employees from getting injured. If employees can maintain good physical and mental health, they can reduce occupational accidents and workplace violence caused by physical discomfort and distraction. Therefore, the Company implements workplace health services by: providing employees with annual health check-up and tracking of abnormalities, with an annual check-up rate of over 95%; conducting 8-10 health activities, seminars and weekly e-mail notice to promote health and safety awareness; preventing incidents from occurring, carrying out workplace violence prevention plans, human hazards prevention plans, overload prevention plans, etc., and reducing potential human hazards in each unit and performing risk management; setting up a medical room for simple sickness and injury treatment, vital signs monitoring and emergency medical assistance, with an average of 10 people per month for simple ailment and injury treatment; installing 35 first-aid kits and two automated external defibrillators company-wide for the sick and injured to be treated immediately; and conducting workplace safety assessment and maternal health assessment for employees during pregnancy and one year after delivery, with an average of 15 staff members served in the past six months and setting up maternity lounges and breastfeeding rooms in idle space for employees to nurture the next generation in a safe environment. With active promotion, the Company was awarded the Health Promotion Administration's Healthy Workplace Certification - Health Promotion Mark in 2016. The actual promotion of work environment and employee personal safety protection measures in 2021 are as follows:

##### 5.5.6.1 Regular implementation of operational environmental monitoring

Preventing occupational disasters, protecting workers' health, avoiding physical and chemical hazards, providing employees with a healthy and comfortable working environment, and implementing regular monitoring of the working environment, with the operation site tested for dust, noise, etc. every six months.

##### 5.5.6.2 Regular implementation of safety and health education and training

1. Pursuant to Articles 16 and 17 of the Occupational Safety and Health Education and Training Rules.
2. Implementing three hours of general safety and health education for new and transferred personnel.
3. Implementing three hours of in-service safety and health education training every three years.
4. Implementing various safety and health education and training (first aid workers, crane operators, forklift operators are dispatched for training and certification, etc.).
5. 662 hours of external training and 1,893.5 hours of internal training on workplace safety-related education and training in 2021.

#### 5.5.6.3 Regular implementation of fire drills

Stepping up education on disaster prevention in factories, raising personnel's awareness of disaster prevention and preventing disasters, conducting regular fire-fighting drills, and implementing them every six months pursuant to Article 13 of the Fire Services Act and Article 15 of the Enforcement Rules of Fire Services Act.

#### 5.5.6.4 Convening of the Occupational Safety and Health Committee

The Occupational Safety and Health Committee is convened on a quarterly basis to discuss, coordinate and recommend improving the working environment safety, occupational hazard prevention, safety facilities, material storage, workflow, education and training, and occupational health and safety policies and implementation guidelines to ensure the safety and health of all our employees.

#### 5.5.6.5 Employee health check

The Company provides employees with annual health checks and follow-up of abnormal test results, with a coverage rate of over 95% of employees per year and annual health checks were already conducted in November 2021.

#### 5.5.6.6 Gender Equality and Workplace Diversity

64.84% of the employees are between the ages of 30 and 49, which indicates that the Company hires experienced employees in the workplace, facilitating its steady growth and dedication to its expertise. Nearly 90% of the employees are under the age of 50, which brings innovation and development into the Company. The gender breakdown is 63.96% male and 36.04% female, which is a result of the industry that the Company operates in. Moreover, 27.7% of the executives are female. The Company is committed to promoting diversity and equal advancement opportunities in the workplace.

5.5.6.7 List any losses suffered by the Company in the most recent fiscal years and up to the annual report publication date due to labor disputes, and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

### 5.6 Cyber security management:

#### 5.6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

##### 1. Organizational structure

To enhance information security management, the Information Security Section of the Information Department is responsible for the company-wide information security governance, planning, supervision and implementation, and builds a full range of information security defense capabilities and good information security awareness among staff.

## 2. Information security management mechanism and policy

The information security strategy is centered on three aspects: information security governance, law compliance, and technology application, ranging from system to technology, from personnel to organization, to comprehensively improve information security protection capability.

In view of the emerging trends in information security, such as DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, counterfeit websites, etc., we communicate with international information security firms every year, pay regular attention to information security issues and plan accordingly through project cooperation, and conduct DDoS, ATM and other attack and defense drills for different scenarios to strengthen the response ability of handling personnel in order to detect and block them without delay.

### (1) Cyber security policies :

Cyber security policies		
Information security governance	<ul style="list-style-type: none"> <li>• Refine management system</li> <li>• Manage risk and enhance prevention</li> <li>• Build a joint defense system</li> </ul>	Continually refine management systems, including enhanced education and training, information security infrastructure design, and reinforced protection techniques.
Legal compliance	<ul style="list-style-type: none"> <li>• Regular review/revision</li> <li>• Establish a compliance cycle mechanism</li> </ul>	Establish a compliance cycle system to regularly review and revise internal practices to comply with international information security standards and overseas laws and regulations.
Technology application	<ul style="list-style-type: none"> <li>• Internal and external data collection</li> <li>• Data analysis</li> <li>• Threat prediction and decision making</li> </ul>	Use new technologies to predict information security risks and make early security decisions.

### (2) Concrete management programs, and investments in resources for cyber security management :

Action	Implementation
Handling of information security incidents	Three cases of mail theft were reported. We have blocked the hacker's login address and changed the security settings of the personnel mailboxes and remind suppliers to confirm the authenticity of the emails.
Avoiding massive phishing attacks on company mailboxes	To prevent the Company's mailbox from being attacked by a large number of phishing emails, the Information Security Section of the Information Department has blocked the emails and related domains, and provided relevant instruction to enhance employees' awareness of information security.
Protecting against fake emails	In 2021, we conducted information security education for each department that received fraudulent emails, and trained employees to identify scam emails and use sandbox filtering to identify fraudulent behavior modules to effectively block and avoid company losses.
Upgrading information security equipment	We planned to update firewalls, network switches, and other related network information security equipment firmware to enhance information security protection and network optimization experience in 2021.

5.6.2 In the most recent year, and as of the printing date of the annual report, if the damages, possible effects, and response measures of major information security incidents cannot be reasonably estimated, the reason for being unable to provide a reasonable estimation should be explained: In the most recent year and as of the printing date of the annual report, no major information security incidents caused financial losses.

## 5.7 Important Contracts

Nature of Contract	The parties	Term of Contract	Content	Restriction Clauses
Bank Loan	Mega Bank	2007.12.10-2022.12.09	Long-term Secured borrowings	None
Bank Loan	Mega Bank	2019.09.27-2024.09.27	Mid and Long-term Secured borrowings	None
Bank Loan	Mega Bank	2020.02.26-2025.02.26	Mid and Long-term Secured borrowings	None
Bank Loan	Chang Hua Bank	2008.05.21-2023.05.21	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2009.09.23-2024.09.23	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2015.11.25-2022.11.25	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2016.10.31-2023.10.31	Long-term Secured borrowings	None
Bank Loan	Taishin Bank	2019.06.17-2034.06.17	Long-term Secured borrowings	None
Bank Loan	Taishin Bank	2019.06.17-2024.06.17	Mid and Long-term Secured borrowings	None
Bank Loan	Taiwan Cooperative Bank	2018.11.30-2038.11.26	Long-term Secured borrowings	None
Bank Loan	Bank of Montreal	2016.05.01-2023.04.30	Long-term Secured borrowings	None
Co-branded Agreement	Johnny G Method	Beginning of 2017.01	The partnership agreement with Johnny G	None
Distributor Agreement	Zuffa International LLC.	2017.06~2026.12	Agent distribution of UFC' s products	None
Appointment of Bond Issuance Contract	Bank SinoPac	From the date of full collection of the convertible bond to the date of settlement of the debt	Appointed as guarantor for the second domestic secured convertible bonds	None

## VI. Financial Overview

### 6.1 Condensed Balance Sheet and Statement of Comprehensive Income for the last five years

#### 6.1.1 IFRS

##### 6.1.1.1 Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

Item \ Year		Financial Statements for the past five years				
		2017	2018	2019	2020	2021
Current Assets		3,143,572	3,207,449	3,550,149	8,255,861	6,967,059
Property, Plant and Equipment		2,743,842	2,824,366	2,656,050	2,877,597	2,913,174
Intangible Assets		290,923	464,504	416,321	1,238,670	1,271,421
Other Assets		458,229	528,989	672,781	879,860	1,024,973
Total Assets		6,636,566	7,025,308	7,295,301	13,251,988	12,176,627
Current Liabilities	Before Distribution	3,054,043	3,854,329	3,822,171	6,608,905	5,298,005
	After Distribution	3,009,568	3,823,196	3,697,850	5,655,878	Note 2
Non-current Liabilities		1,436,693	1,092,458	1,228,813	1,773,221	2,509,183
Total Liabilities	Before Distribution	4,490,736	4,946,787	5,050,984	8,382,126	7,807,188
	After Distribution	4,446,261	4,915,654	4,926,663	7,429,099	Note 2
Equity Attributable to Owners of the Parent		1,820,518	1,744,645	1,894,145	4,513,176	3,986,850
Capital		929,502	929,502	961,009	1,326,523	1,340,222
Capital Surplus		722,117	738,397	758,304	1,986,005	2,115,925
Retained Earnings	Before Distribution	283,017	328,209	452,985	1,648,927	1,137,394
	After Distribution	238,542	297,076	328,664	695,900	Note 2
Other Equity		(59,258)	(79,123)	(105,813)	(175,628)	(238,087)
Treasury Share		(54,860)	(172,340)	(172,340)	(272,651)	(368,604)
Non-controlling Interest		325,312	333,876	350,172	356,686	382,589
Total Equity	Before Distribution	2,145,830	2,078,521	2,244,317	4,869,862	4,369,439
	After Distribution	2,101,355	2,047,388	2,119,996	3,916,835	Note 2

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

Note 2: The shareholders' meeting will decide on the earnings distribution for 2021.

## 6.1.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000

Item \ Year	Financial Statements for the past five years				
	2017	2018	2019	2020	2021
Net Operating Revenue	4,457,716	5,557,150	5,850,528	13,123,756	11,742,081
Gross Profit	1,270,689	1,527,399	1,716,399	5,484,319	4,057,402
Profit (Loss) from Operations	(23,914)	85,090	327,705	1,852,910	785,830
Non-Operating Income and Expenses	(177,197)	61,571	(49,061)	(198,006)	(236,684)
Profit (Loss) before Income Tax	(201,111)	146,661	278,644	1,654,904	549,146
Net Income (Loss) from Continuing Operations	(165,903)	127,456	220,095	1,318,056	444,190
Income (Loss) on Discontinued Operations	-	-	-	-	-
Net Income (Loss)	(165,903)	127,456	220,095	1,318,056	444,190
Other Comprehensive Income (Net amount after tax)	(22,725)	(29,252)	(43,447)	(61,094)	(63,133)
Total Comprehensive Income	(188,628)	98,204	176,648	1,256,962	381,057
Profit attributable to Owners of the Parent	(150,891)	107,123	189,001	1,321,109	440,848
Profit Attributable to Non-controlling Interest	(15,012)	20,333	31,094	(3,053)	3,342
Comprehensive Income (Loss) Attributable to Owners of the Parent	(175,686)	87,865	160,352	1,250,448	379,035
Comprehensive Income Attributable to Non-controlling Interest	(12,942)	10,339	16,296	6,514	2,022
Earnings Per Share	(1.62)	1.16	2.05	11.69	3.48

Note: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

### 6.1.1.3 Condensed Balance Sheet (Parant Company Only)

Unit: NT\$1,000

Item \ Year		Financial Statements for the past five years				
		2017	2018	2019	2020	2021
Current Assets		2,120,221	2,156,513	2,580,856	6,448,880	5,627,552
Property, Plant and Equipment		1,640,456	1,762,174	1,690,350	1,672,688	1,620,884
Intangible Assets		10,460	144,981	119,356	91,538	128,350
Other Assets		1,545,737	1,606,619	1,657,716	2,754,895	2,782,400
Total Assets		5,316,874	5,670,287	6,048,278	10,968,001	10,159,186
Current	Before Distribution	2,303,908	3,117,051	3,203,247	4,991,086	3,857,953
Liabilities	After Distribution	2,259,433	3,085,918	3,078,926	4,038,059	Note 2
Non-current Liabilities		1,192,448	808,591	950,886	1,463,739	2,314,383
Total	Before Distribution	3,496,356	3,925,642	4,154,133	6,454,825	6,172,336
Liabilities	After Distribution	3,451,881	3,894,509	4,029,812	5,501,798	Note 2
Equity attributable to Owners of the Parent		1,820,518	1,744,645	1,894,145	4,513,176	3,986,850
Capital		929,502	929,502	961,009	1,326,523	1,340,222
Capital Surplus		722,117	738,397	758,304	1,986,005	2,115,925
Retained	Before Distribution	283,017	328,209	452,985	1,648,927	1,137,394
Earnings	After Distribution	238,542	297,076	328,664	695,900	Note 2
Other Equity		(59,258)	(79,123)	(105,813)	(175,628)	(238,087)
Treasury Share		(54,860)	(172,340)	(172,340)	(272,651)	(368,604)
Non-controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	1,820,518	1,744,645	1,894,145	4,513,176	3,986,850
	After Distribution	1,776,043	1,713,512	1,769,824	3,560,149	Note 2

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

Note 2: The shareholders' meeting will decide on the earnings distribution for 2021.

Note 3: Dyaco' s Board of Directors approved to merger Yong-An Ltd. The record date of the merger was January 1, 2018. The above transaction is an intra-group reorganization and should be treated as a merger from the outset with retrospective restatement of prior years' financial statements, therefore the Company's 2018 individual financial statements have been retrospectively restated to 2017 individual financial statements as required.

#### 6.1.1.4 Condensed Statement of Comprehensive Income (Parant Company Only)

Unit: NT\$1,000

Item \ Year	Financial Statements for the past five years				
	2017	2018	2019	2020	2021
Net Operating Revenue	3,318,995	3,289,437	3,544,844	8,485,910	6,872,833
Gross Profit	688,065	680,925	795,984	2,598,498	1,668,316
Profit (Loss) from Operations	132,144	229,335	359,077	1,665,999	1,071,546
Non-Operating Income and Expenses	(308,338)	(118,234)	(117,699)	(63,718)	(527,227)
Profit (Loss) before Income Tax	(176,194)	111,101	241,378	1,602,281	544,319
Net Income (Loss) from Continuing Operations	(150,891)	107,123	189,001	1,321,109	440,848
Income (Loss) on Discontinued Operations	-	-	-	-	-
Net Income (Loss)	(150,891)	107,123	189,001	1,321,109	440,848
Other Comprehensive Income (Net amount after tax)	(24,795)	(19,258)	(28,649)	(70,661)	(61,813)
Total Comprehensive Income	(175,686)	87,865	160,352	1,250,448	379,035
Profit attributable to Owners of the Parent	(150,891)	107,123	189,001	1,321,109	440,848
Profit Attributable to Non-controlling Interest	-	-	-	-	-
Comprehensive Income (Loss) Attributable to Owners of the Parent	(175,686)	87,865	160,352	1,250,448	379,035
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-	-
Earnings Per Share	(1.62)	1.16	2.05	11.69	3.48

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

Note 2: Dyaco' s Board of Directors approved to merger Yong-An Ltd. The record date of the merger was January 1, 2018. The above transaction is an intra-group reorganization and should be treated as a merger from the outset with retrospective restatement of prior years' financial statements, therefore the Company's 2018 individual financial statements have been retrospectively restated to 2017 individual financial statements as required.

#### 6.1.1.5 Name of CPA and Auditors' Opinions for the last five years

Year	Accounting Firm	CPA	Audit opinion
2017	Deloitte & Touche Taiwan	Ms. Liao, Wan-Yi/Mr. Chang, Keng-Hsi	Unqualified Opinion
2018	Deloitte & Touche Taiwan	Ms. Liao, Wan-Yi/Mr. Chang, Keng-Hsi	Unqualified Opinion
2019	Deloitte & Touche Taiwan	Ms. Chen, Chao-Mei/Mr. Hsieh, Chien-Hsin	Unqualified Opinion
2020	Deloitte & Touche Taiwan	Mr. Hsieh, Chien-Hsin/Ms. Chen, Chao-Mei	Unqualified Opinion
2021	Deloitte & Touche Taiwan	Mr. Hsieh, Chien-Hsin/Ms. Chen, Chao-Mei	Unqualified Opinion

## 6.2 Financial analysis of the last five years

### 6.2.1 Financial Analysis - Consolidated and Standalone Financial Statements (IFRS)

#### 6.2.1.1 Consolidated Financial Statement

Item	Year	Financial analyses of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to Asset Ratio	67.67	70.41	69.24	63.25	64.12
	Long-term Fund to Property, Plant and Equipment	130.57	112.27	130.76	230.86	236.12
Liquidity (%)	Current Ratio	102.93	83.22	92.88	124.92	131.50
	Quick Ratio	60.13	50.38	60.40	76.69	63.88
	Times Interest Earned	-5.66	3.70	5.69	30.49	9.02
Operating ability	Average Collection Turnover (Times)	5.48	5.61	5.28	6.05	4.70
	Average Days of Collection	67	65	69	60	78
	Average Inventory Turnover (Times)	3.48	3.33	3.41	3.52	2.30
	Average Payables Turnover (Times)	2.83	3.29	3.60	3.55	3.35
	Average Days of Sales	105	110	107	104	158
	Property, Plant and Equipment Turnover (Times)	1.98	2.00	2.14	4.74	4.06
	Total Assets Turnover (Times)	0.74	0.81	0.82	1.28	0.92
Profitability	Return on Total Assets (%)	-2.35	2.50	3.74	13.27	3.92
	Return on Equity (%)	-7.58	6.03	10.18	37.05	9.62
	Pre-tax Income to Paid-in Capital Ratio (%)	-21.64	15.78	28.99	124.76	40.97
	Net Margin (%)	-3.72	2.29	3.76	10.04	3.78
	Earnings Per Share (NT\$)	-1.62	1.20	2.05	11.69	3.48
Cash flows	Cash Flow Ratio (%)	-10.40	-1.16	10.77	19.30	-14.75
	Cash Flow Adequacy Ratio (%)	59.92	45.32	42.36	53.87	12.54
	Cash Flow Reinvestment Ratio (%)	-37.86	-2.82	11.00	19.87	-29.85
Leverage	Operating Leverage	-5.65	2.70	1.89	1.17	1.36
	Financial Leverage	0.44	2.77	1.22	1.03	1.10
Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).						
<ol style="list-style-type: none"> <li>Liquidity (decrease in Times Interest Earned) and profitability (decrease in Return on Total Assets, Return on Equity, Pre-tax Income to Paid-in Capital Ratio, Net Margin, and Earnings Per Share): A decline in demand for home fitness equipment in the second half of 2021, an appreciation in the NT\$, and a rise in raw materials and transportation costs led to lower profits.</li> <li>Operating ability (decrease in Average Collection Turnover and Total Assets Turnover, increase in Average Days of Collection and Average Days of Sales): Due to the slowdown in demand for home fitness equipment in the second half of 2021.</li> <li>Cash flows (decrease in Cash Flow Ratio and Cash Flow Reinvestment Ratio): Net income before income taxes decreased by NT\$1,105,758,000 in 2021 compared to 2020 due to the slowdown in demand for home fitness equipment, resulting in lower net cash inflows from operating activities.</li> <li>Cash flows (decrease in Cash Flow Adequacy Ratio): Net income before income taxes decreased by NT\$1,105,758,000 in 2021 compared to 2020 due to the slowdown in demand for home fitness equipment, which led to an increase in inventory, resulting in lower net cash inflows from operating activities.</li> </ol>						

Note: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

### 6.2.1.2 Financial Statement (Parant Company Only)

Item \ Year		Financial analyses of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to Asset Ratio	65.76	69.23	68.68	58.85	60.76
	Long-term Fund to Property, Plant and Equipment	183.67	144.89	168.31	357.32	388.75
Liquidity (%)	Current Ratio	92.03	69.18	80.57	129.21	145.87
	Quick Ratio	78.19	59.37	71.21	114.58	132.94
	Times Interest Earned	-5.42	3.84	7.31	46.62	13.43
Operating ability	Average Collection Turnover (Times)	2.84	2.63	2.83	3.00	1.92
	Average Days of Collection	128	139	129	122	190
	Average Inventory Turnover (Times)	9.62	8.73	9.76	11.99	8.75
	Average Payables Turnover (Times)	2.73	2.81	2.89	3.10	2.70
	Average Days of Sales	38	42	37	30	42
	Property, Plant and Equipment Turnover (Times)	2.20	1.93	2.05	5.05	4.17
	Total Assets Turnover (Times)	0.65	0.60	0.60	1.00	0.65
Profitability	Return on Total Assets (%)	-2.49	2.52	3.75	15.86	4.50
	Return on Equity (%)	-7.45	6.01	10.39	41.24	10.37
	Pre-tax Income to Paid-in Capital Ratio (%)	-18.96	11.95	25.12	120.79	40.61
	Net Margin (%)	-4.55	3.26	5.33	15.57	6.41
	Earnings Per Share (NT\$)	-1.62	1.20	2.05	11.69	3.48
Cash flows	Cash Flow Ratio (%)	-13.75	7.72	16.75	4.67	-14.72
	Cash Flow Adequacy Ratio (%)	29.89	25.72	28.05	68.91	4.96
	Cash Flow Reinvestment Ratio (%)	-15.38	7.27	16.89	1.80	-25.48
Leverage	Operating Leverage	1.70	1.18	1.07	1.18	1.08
	Financial Leverage	1.26	1.21	1.12	1.02	1.04
<p>Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).</p> <ol style="list-style-type: none"> <li>Liquidity (decrease in Times Interest Earned) and profitability (decrease in Return on Total Assets, Return on Equity, Pre-tax Income to Paid-in Capital Ratio, Net Margin, and Earnings Per Share): A decline in demand for home fitness equipment in the second half of 2021, an appreciation in the NT\$, and a rise in raw materials and transportation costs led to lower profits.</li> <li>Operating ability (decrease in Average Collection Turnover and Total Assets Turnover, increase in Average Days of Collection and Average Days of Sales): Due to the slowdown in demand for home fitness equipment in the second half of 2021.</li> <li>Cash flows (decrease in Cash Flow Ratio and Cash Flow Reinvestment Ratio): Net income before income taxes decreased by NT\$1,105,758,000 in 2021 compared to 2020 due to the slowdown in demand for home fitness equipment, resulting in lower net cash inflows from operating activities.</li> <li>Cash flows (decrease in Cash Flow Adequacy Ratio): Net income before income taxes decreased by NT\$1,105,758,000 in 2021 compared to 2020 due to the slowdown in demand for home fitness equipment, which led to an increase in inventory, resulting in lower net cash inflows from operating activities.</li> </ol>						

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

Note 2: Dyaco' s Board of Directors approved to merger Yong-An Ltd. The record date of the merger was January 1, 2018. The above transaction is an intra-group reorganization and should be treated as a merger from the outset with retrospective

restatement of prior years' financial statements, therefore the Company's 2018 individual financial statements have been retrospectively restated to 2017 individual financial statements as required

Note 3: The formulas for financial analysis calculations are as follows:

1. Financial structure

- (1) Debt to Asset Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating ability

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
- (2) Average Days of Collection = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Goods Sold / Average Amount of Inventory
- (4) Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
- (5) Average Days of Sales = 365 / Average Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

- (1) Return on Total Assets = (Net Income + Interest Expenses \* (1 – Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Equity
- (3) Net Margin = After-tax Profit / Net Operating Income
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash flows

- (1) Cash Flow Ratio = Net Cash Flows from Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Net Cash Flows from Operating Activities in the past five years / (Capital Expenditure + Increase in Inventory + Cash Dividend) in the past five years.
- (3) Cash Flow Reinvestment Ratio = (Net Cash Flows from Operating Activities – Cash Dividend) / (Gross Margin of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Operating Revenue – Variable Operating Cost and Expenses) / Operating Profit
- (2) Financial Leverage = Operating Profit / (Operating Profit – Interest Expense)

### 6.3 Audit Committee's Review Report in the most recent year

#### **Dyaco International Inc.**

#### **Audit Committee's Review Report**

(This English version is only a translation of the Chinese version)

The Board of Directors has prepared and submitted the 2021 consolidated financial statements (including standalone financial statements), business report, and earnings distribution proposal. Independent auditors Mr. Hsieh, Chien-Hsin and Ms. Chen, Chao-Mei of Deloitte & Touche Taiwan audited the consolidated financial statements (including standalone financial statements) and has issued an audit report. These have been reviewed and determined to be correct and accurate by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

**Dyaco International Inc.**

Audit Committee convener: Hsieh, Chang-Hung

March 31, 2022

6.4 Financial Report in the most recent year, including independent auditors' audit report, balance sheet, statement of comprehensive income, statement of change in equity, statement of cash flow, and notes, or table: Please refer to Attachment 1.

6.5 Parent Financial Report audited by CPA in the most recent year: Please refer to Attachment 2.

6.6 The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

## VII. Review and Analysis of the Financial Statues, Financial Performance, and Risk Management

### 7.1 Financial Position

The reasons for, and impact of, any significant change over the most recent 2 fiscal years in its assets, liabilities, or equity.

#### 7.1.1 Comparative analysis of financial status:

Unit: NT\$1,000

Item \ Year	2020	2021	Difference	
			Amount	%
Current Assets	8,255,861	6,967,059	(1,288,802)	(5.61%)
Property, Plant and Equipment	2,877,597	2,913,174	35,577	1.24%
Intangible Assets	1,238,670	1,271,421	32,751	2.64%
Other Non-current Assests	879,860	1,024,973	145,113	16.49%
Total Assets	13,251,988	12,176,627	(1,075,361)	(8.11%)
Current Liabilities	6,608,905	5,298,005	(1,310,900)	(19.84%)
Non-current Liabilities	1,773,221	2,509,183	735,962	41.50%
Total Liabilities	8,382,126	7,807,188	(574,938)	(6.86%)
Capital	1,326,523	1,340,222	13,699	1.03%
Capital Surplus	1,986,005	2,115,925	129,920	6.54%
Retained Earnings	1,648,927	1,137,394	(511,533)	(31.02%)
Other Equity	(175,628)	(238,087)	(62,459)	35.56%
Treasury Share	(272,651)	(368,604)	(95,953)	35.19%
Non-controlling Interest	356,686	382,604	25,918	7.27%
Total Equity	4,869,862	4,369,439	(500,423)	(10.28%)

Analysis of changes in the proportion of increases or decreases (changes of 20% or more in the preceding and subsequent periods and amounting to NT\$10 million)

1. The increase in non-current liabilities was due to the issuance of the Company's third domestic corporate bonds in 2021.
2. The decrease in retained earnings was due to the slowdown in demand for home fitness equipment in the second half of 2021, resulting in a reduction in profits.
3. For other equity, the exchange differences arose on the conversion of financial statements of foreign operations due to the effect of exchange rates.
4. The difference in treasury stock was due to the repurchase of the Company's stock in 2021.

## 7.2 Financial Performance

The reasons for, and impact of, any significant change over the most recent 2 fiscal years in its operating revenues, operating income, or income before tax.

### 7.2.1 Comparative Analysis of Financial Performance

Unit: NT\$1,000

Year Item	2020	2021	Increase (Decrease) Amount	Difference (%)
Net Operating Revenue	13,123,756	11,742,081	(1,381,675)	(10.53%)
Operating Costs	7,639,437	7,684,679	45,242	0.59%
Gross Profit	5,484,319	4,057,402	(1,426,917)	(26.02%)
Operating Expenses	3,644,573	3,268,732	(375,841)	(10.31%)
Other Operating Income and Expenses	13,164	(2,840)	(16,004)	(121.57%)
Profit from Operations	1,852,910	785,830	(1,067,080)	(57.59%)
Non-operating Income and Expenses	(198,006)	(236,684)	(38,678)	19.53%
Profit before Income Tax	1,654,904	549,146	(1,105,758)	(66.82%)
Income Tax Expense	336,848	104,956	(231,892)	(66.94%)
Net Profit	1,318,056	444,190	(873,866)	(66.30%)
Other Comprehensive Loss	(61,094)	(63,133)	(2,039)	3.34%
Total Comprehensive Income	1,256,962	381,057	(875,905)	(69.68%)

Analysis of changes in the proportion of increase or decrease (change of 20% or more and amounting to NT\$10 million)

1. The decrease in Net Operating Revenue, Gross Profit, Profit from Operations, Profit before Income Tax, Income Tax Expense, Net Profit and Total Comprehensive Income for the period was due to the slowdown in demand for home fitness equipment in the second half of 2021.
2. The decrease in Other Operating Income and Expenses was mainly due to the decrease in product service revenues in 2021.

A sales volume forecast and the basis therefor, the possible impact on the Company's future financial operations and its response plans

The Company expects its sales volume to increase in the coming year based on changes in the general economic environment, industry trends and the Company's future development direction, as well as the operating targets set by the Company with reference to its operating situation over the years. It is expected that, driven by continued growth in sales volume and the aggressive enhancement of product yields and brand benefits, the Company can improve profitability by reducing production costs and increasing its competitiveness and market share.

### 7.3 Cash Flows

#### 7.3.1 Analysis of liquidity for the last two years

Item \ Year	2020	2021	Difference (%)
Cash Flow Ratio (%)	19.30	-14.75	-176.42%
Cash Flow Adequacy Ratio (%)	53.87	12.54	-76.72%
Cash Flow Reinvestment Ratio (%)	19.87	-29.85	-250.23%

#### Analysis of changes in cash flows:

1. Decrease in Cash Flow Ratio and Cash Flow Reinvestment Ratio: Net income before income taxes decreased by NT\$1,105,758,000 in 2021 compared to 2020 due to the slowdown in demand for home fitness equipment, resulting in lower net cash inflows from operating activities.
2. Decrease in Cash Flow Adequacy Ratio: Net income before income taxes decreased by NT\$1,105,758,000 in 2021 compared to 2020 due to the slowdown in demand for home fitness equipment, which led to an increase in inventory, resulting in lower net cash inflows from operating activities.

#### 7.3.2 Analysis of changes in cash flow for the coming year

Unit: NT\$1,000

Beginning cash balance (1)	Estimated net cash flow from operating activities (2)	Estimated net cash flow from investing activities (3)	Estimated net cash flow from financing activities (4)	Estimated surplus (shortfall) amount (1)+(2)+(3)+(4)	Remedial measures for cash deficit	
					Investment plan	Financial plan
1,212,636	800,368	(552,450)	(117,502)	1,343,052	-	-

The Company's operating plans for fiscal 2022 would continue to boost the Company's profitability. It was estimated that a net cash inflow of \$800,368 in thousands was generated from operating activities, a net cash outflow of \$522,450 in thousands from investing activities such as acquisition of subsidiaries, equipment and intangible assets, and a net cash outflow of \$117,502 in thousands from financing activities such as distribution of cash dividends and bank borrowings. The Company had no significant capital expenditures for fiscal 2022 and is not expected to have a cash shortfall as operating activities grow and improve profitability.

#### 7.4 Effect of Major Capital Spending on Financial Position and Business Operations: None.

#### 7.5 Investment Policy in The Most Recent Year, Profit/Loss Analysis, Improvement Plans, and Investment Plans for The Coming Year

##### 7.5.1 Investment policy in the most recent year

The Company's reinvestment is mainly in areas related to its industry and is expected to enhance its overall operating performance.

##### 7.5.2 Main reasons for profit or loss on reinvestment, improvement plans and investment plans for the coming year

Reinvestment Company	Main Business	Profit (Loss) for 2021	Main Reasons for Profit or Loss	Improvement Plan	Investment Plan
Dyaco International Holding Limited	Investment holding	58,461	—	—	None
Dyaco Eurpoe GmbH	Investment holding and sales of fitness equipment	29,480	—	—	None
Daan Health Management Consulting Co., Ltd.	Medical equipment	(922)	Reduction in leasing operations of rehabilitation clinics	Adjustment to business development strategies to improve operational conditions.	None
Dyaco Japan Co., Ltd.	Sales of fitness equipment	(16,867)	Competition in the market has affected the Company's profitability and the commercial and rehabilitation market has been affected by the epidemic.	New sales initiatives are implemented to reduce costs and the benefits of new product and brand rollouts are expected to improve profitability.	None
Wing Long Co., Ltd.	Sales of alcoholic drinks	(8,477)	The Company is still in the start-up phase and the operations have not yet reached scale.	Increase sales by developing new customers and reduce expenditures.	Increase capital in accordance with capital requirements.
Dyaco UK Ltd.	Sales of fitness equipment	(29,312)	The business is still in the consolidation stage, with operations not yet at scale and the pandemic impacting commercial market development.	This should improve once the local business has stabilized and the scale of operations has materialized.	None
SOLE INC.	Investment holding	(314,361)	The loss is due to the loss of the investee company.	—	None
President Plastic Products MFG. Co., Ltd.	Real estate lease	888	—	—	None
Cikayda Inc.	Management consultation	(1,051)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	None
City Sport (Thailand) Co., Ltd	Sales of fitness equipment	(2,023)	The business is still in the consolidation stage.	Adjustment to business development strategies to improve operational conditions.	None
Neutron Ventures Ltd	Investment holding	(3,958)	The loss is due to the loss of the investee company.	—	None
CARDIOfitness GmbH & CO. KG	Sales of fitness equipment	50,752	—	—	None

Reinvestment Company	Main Business	Profit (Loss) for 2021	Main Reasons for Profit or Loss	Improvement Plan	Investment Plan
CARDIOfitness Verwaltungs GmbH	Investment holding	5	—	—	None
Fitness Equipment Services, LLC	Sales of fitness equipment	(317,758)	Losses are incurred due to the slowdown in demand for home fitness equipment in the post-epidemic era and the increase in product costs and transportation expenses.	Adjustment to business development strategies and reduction of expenditures to improve operational conditions.	None
Fuel-Spirit International Inc.	Investment holding and trading business	45,231	—	—	None
Spirit Manufacturing Inc.	Sales of fitness equipment	(32,487)	Losses are incurred due to the slowdown in demand for home fitness equipment in the post-epidemic era and the increase in product costs and transportation expenses.	Adjustment to business development strategies and reduction of expenditures to improve operational conditions.	None
Dyaco Canada Inc.	Sales and services of fitness equipment	37,873	—	—	None
Spirit Direct	Sales of fitness equipment	(11,110)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	Increase capital in accordance with capital requirements.
Dyaco Commercial & Medical North America, LLC.	Sales of fitness equipment	(13,557)	The cancellation of the Company was completed in mid-December 2021.	—	None
Interactive Online Commerce Ltd	Investment holding	(3,315)	The loss is due to the loss of the investee company.	—	None
Neutron Ventures Poland S.p Z.o.o	Management Consultation	(640)	The business is still in the consolidation stage.	Adjustment to business development strategies to improve operational conditions.	None
Sweatband.com Ltd	Sales of sporting goods	(3,315)	The business is still in the consolidation stage.	Adjustment to business development strategies to improve operational conditions.	None
Dyaco (Shanghai) Trading Co., LTD.	Sales of fitness equipment	(2,271)	The business is still in the start-up stage, and its operation has not yet reached the scale.	Adjustment to business development strategies to improve operational conditions.	None
Dyaco Health Technology (Beijing) Co., Ltd.	Health management consultation	(1,168)	The business is still in the start-up stage, and its operation has not yet reached the scale.	Adjustment to business development strategies to improve operational conditions.	None

Reinvestment Company	Main Business	Profit (Loss) for 2021	Main Reasons for Profit or Loss	Improvement Plan	Investment Plan
Shelton Corporation (Jiaxing), LTD.	Manufacture and sale of outdoor furniture	36,729	—	—	None

## 7.6 Risk Analysis and Assessment

7.6.1 The effect upon the Company's profits/losses of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

### 7.6.1.1 Changes in interest rates:

Unit: NT\$1,000; %

Item	Year	2020	2021
Interest Income (Expense)		(53,297)	(67,065)
Profit (Loss) before Income Tax		1,654,904	549,146
Interest Income (Expense) to Profit (Loss) before Tax (%)		(3.22%)	(12.21%)

The Company's interest expense is incurred as a result of bank loans in the operating activities. The net interest income and expense for 2020 and 2021 were (NT\$53,297) thousand and (NT\$67,065) thousand, respectively, which constituted for (3.22%) and (12.21%) of the Company's net profit (loss) before income tax. Changes in interest rates have an impact on the Company's profitability to some extent. The Company's interest expense increased in 2021 due to increased bank borrowings required for operations. To avoid the impact of interest rate fluctuations on the Company's financing costs, the Company has kept a watchful eye on interest rate movements and maintained good relations with banks to obtain more favorable interest rates, and has observed the effects of interest rate changes in the financial market on the Company's funds in order to take flexible measures, so the changes in interest rates will not have a significant impact on the Company's profit or loss.

### 7.6.1.2 Exchange rate fluctuations

Unit: NT\$1,000; %

Item	Year	2020	2021
Exchange Gain (Loss)		(194,560)	(185,471)
Profit (Loss) before Income Tax		1,654,904	549,146
Exchange Gain (Loss) to Profit (Loss) before Tax (%)		(11.76%)	(33.77%)

The Company's products are largely exported, and most of them are traded in U.S. dollars, while most of the production costs are traded in NT dollars, so changes in the U.S. dollar exchange rate have a certain degree of impact on the Company's profitability. The Company's specific measures in response to exchange rate fluctuations are as follows:

- (1). The Company's financial personnel maintain close contact with banks, collect information on exchange rates, seek favorable selling points with reference to bank quotes, and conduct appropriate foreign exchange operations to avoid losses due to exchange rate fluctuations.
- (2). When offering prices to customers, business units should take into account the trend of exchange rates and offer more stable prices so as to avoid exchange rate fluctuations from eroding the Company's profit.

#### 7.6.1.3 Changes in the inflation rate

The Company's main raw materials are steel, plastics and hardware, etc. The price of raw materials is highly correlated with the international oil price; therefore, the price fluctuation will affect the Company's production costs. The Company is always mindful of market price fluctuations, planning for the timing of purchases and safety stock, and maintaining good relationships with suppliers to minimize the impact of inflation.

#### 7.6.1.4 The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

- (1) The Company's financial operations are conservative and prudent and it does not engage in high-risk, highly leveraged investments.
- (2) The Company's loaning of funds, endorsements/guarantees are processed in accordance with its "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees" and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."
- (3) The Company engages in derivatives transactions in accordance with its "Procedures for the Acquisition or Disposal of Assets" for the purpose of hedging the risk of fluctuations in exchange rates of foreign currency assets or liabilities.

#### 7.6.2 Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company's future product technology development and design direction are as follows.

- (1) Expediting the entry into medical rehabilitation and health aids products.
- (2) Upgrading independent new technology development design, strengthening patent protection and increasing the profitability of product sales.
- (3) Expanding the product appearance designer lineup and increasing the business sales options.

In the future, it is expected that the R&D expenses committed will be adjusted according to the product development schedules and plans and the operational conditions and will account for approximately 1% to 2% of the total revenue in 2022.

#### 7.6.3 Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company not only complies with the relevant domestic and foreign laws and regulations in its daily operations, but also keeps a close watch on domestic and overseas policy trends and regulatory changes in order to fully keep abreast of and respond to changes in the market environment. To date, the Company's financial operations have not been materially affected by changes in domestic or foreign policies or laws.

#### 7.6.4 Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

##### 7.6.4.1 In addition to keeping an eye on the technological changes and technological developments in the industries in which the Company operates, and keeping abreast of the latest trends in the industry through close cooperation with customers, the Company is constantly enhancing its own R&D capabilities, protecting various innovative concepts and designs by patent applications, and actively expanding its market application areas in the future, so that technological and industrial changes have

no negative impact on the Company.

7.6.4.2 Information security risk management framework, information security policy, specific management solutions, and spend efforts on information security. Please refer to 5.6

7.6.4.3 In the most recent year, and as of the printing date of the annual report, if the damages, possible effects, and response measures of major information security incidents cannot be reasonably estimated, the reason for being unable to provide a reasonable estimation should be explained: In the most recent year and as of the printing date of the annual report, no major information security incidents caused financial losses.

7.6.5 Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

Since its incorporation, the Company has concentrated on its business operations, product development, internal management and compliance with relevant laws and regulations; so far, no incidents have occurred that have affected its corporate image. In the future, it will follow all relevant laws and regulations and focus on the maintenance of corporate image.

7.6.6 Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response:

1. Neutron Ventures Limited is a holding company based in the United Kingdom. The Company acquired it with its three subsidiaries, Sweatband.com Ltd, Neutron Ventures Poland S.p.z.o.o, and Interactive Online Commerce Ltd. Since 1999, Sweatband.com Ltd. has been selling sports goods in the UK market, and has successfully expanded its e-commerce sales platform, and represents a number of well-known brands. In recent years, it has further expanded the sale of its own-brand products. Neutron Ventures Poland S.p.z.o.o provides services to Sweatband.com Ltd for a fee. Interactive Online Commerce Ltd. is a holding company. Given that the United Kingdom is the third largest e-commerce market in the world, the Company's acquisition plan will effectively expand the Group's operations in the UK, and the acquisition was completed in the fourth quarter of 2021 without significant risk.

2. City Sport Co. Ltd, the Company's former distributor in Thailand, has been cultivating the fitness equipment sales market in Thailand for more than 20 years. Due to the competition in the Thai market in recent years, we are seeking to establish a partnership and devote resources to jointly operate the market in Thailand. The acquisition plan will promote the Company's own brand in the ASEAN market, and the acquisition was completed in the fourth quarter of 2021 without significant risk.

7.6.7 Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response:

As of the date of publication of the annual report, there are no plans for plant expansion. However, if the Company proceeds with plant expansion in the future, it will conduct a thorough assessment and comply with the relevant internal control requirements.

7.6.8 Risks associated with concentration of sales or purchasing operations, and measures to be taken in response:

7.6.8.1 Purchasing

The Company maintains more than two suppliers of raw materials and keeps a close eye on market dynamics, actively develops other suppliers to reduce the risk of overconcentration of sources of supply, and maintains good cooperative relationships with all suppliers to ensure stable sources of

supply.

#### 7.6.8.2 Sales

North America is a major market in the global fitness equipment industry, accounting for more than one-half of the global output value. The Company mainly sells its own brands and it has taken relevant measures to reduce the risk of concentration of sales:

- (1) To actively participate in international exhibitions in order to enhance the Company's visibility and awareness in the international market, and to seek international quality customers to represent the Company's products or to commission development and production of our products.
- (2) Proactive research and development to expand product lines and applications, including the development of medical rehabilitation and health aids, products for senior citizens and people with mobility impairments, as well as the enhancement of product technology and functionality.
- (3) To reduce the concentration of customers by actively exploring global markets and developing new customers, including setting up a sales company in Shanghai, China, and securing agents in various countries through sharing marketing resources.
- (4) Proactively promote own brands and launch a variety of own brands to capture overseas business opportunities. We currently own the global best-selling brand Spirit, emerging brands Fuel and Xterra, and the top fitness equipment brand SOLE.

#### 7.6.9 The impact, risks and countermeasures of any substantial transfer or replacement of equity interests in the Company by directors, supervisors or substantial shareholders holding more than 10% of the shares:

There was no substantial transfer of shareholding of the Company's directors, supervisors or substantial shareholders holding more than 10% of the Company's shares during the most recent year or during the current year up to the date of publication of the annual report.

#### 7.6.10 Impact of change in management rights on the Company, associated risks and response measures:

There was no change in the Company's operation as a result of the change in management rights during the most recent year or during the current year up to the date of publication of the annual report.

#### 7.6.11 Litigious and non-litigious matters

1. If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the annual report publication date, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case shall be disclosed: None.
2. If there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the annual report publication date, the information shall be disclosed: None.

#### 7.6.12 Other major risks and response measures: None.

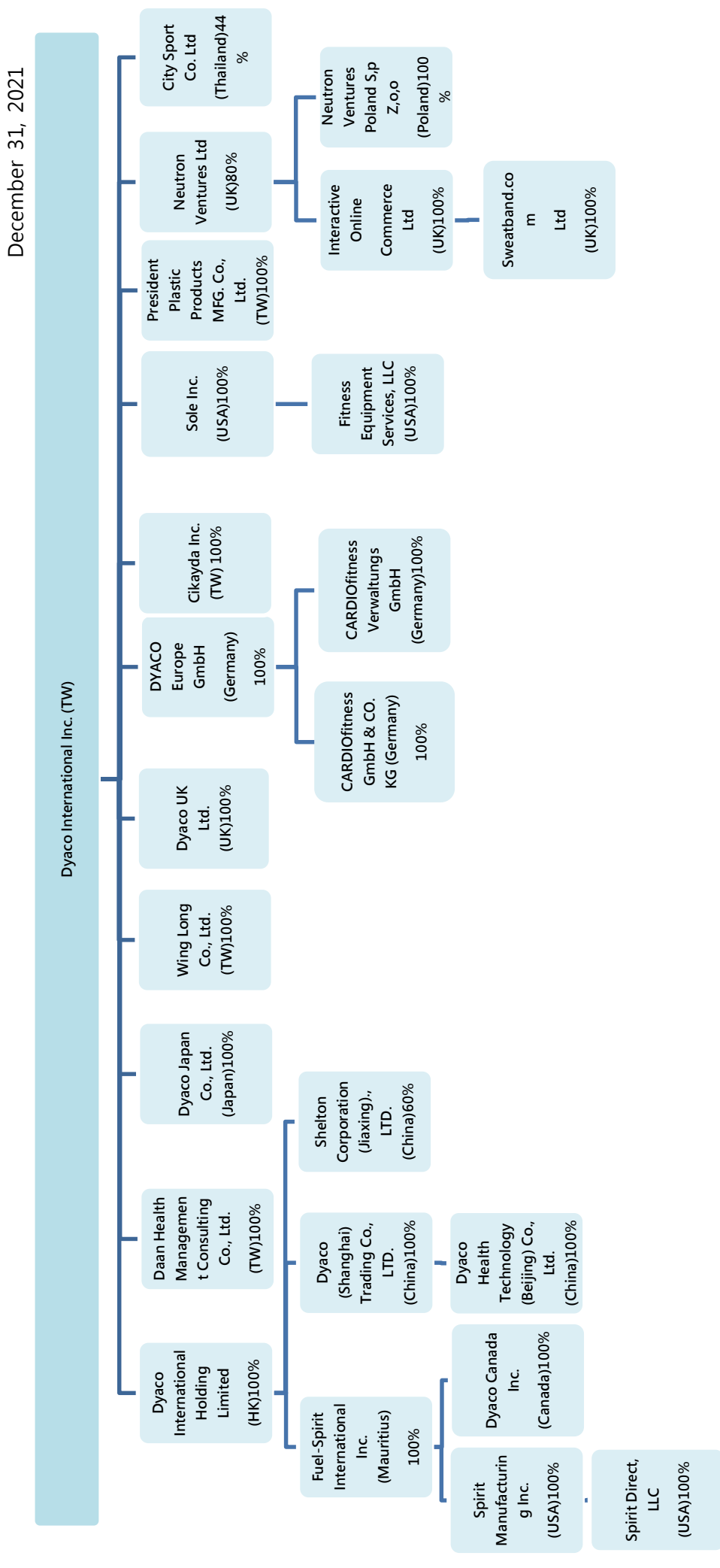
#### 7.7 Other Important Matters: None.

## VIII. Special Notes

### 8.1 Profiles of Affiliated Enterprises

#### 8.1.1 Consolidated operating report of affiliated enterprises

##### 8.1.1.1 Organizational chart of affiliated enterprises



1. Information on affiliated enterprises:

Name	Date of Establishment	Address	Paid-in Capital	Main business and products
Dyaco International Holding Limited	2007.10.18	FLAT B,6/F., TEDA BUILDING, 87 WING LOK STREET, SHEUNG WAN, HONG KONG	HKD 290,634,268	Investment
Fuel-Spirit International Inc.	2007.01.25	4th Floor, Amod Building, 19 Poudriere Street, Port Louis, Mauritius	USD 12,400,000	Investment and sales of fitness equipment
Dyaco Canada Inc.	2013.07.01	5955 Don Murie Street Niagara Falls, Ontario L2G 0A9	CAD 1,000	Sales of fitness equipment
Spirit Manufacturing Inc.	2008.01.01	3000 Nestle Rd. Jonesboro, AR, U.S.A.	USD 41,687.5	Sales of fitness equipment
Spirit Direct LLC.	2013.01.29	22900 VENTURA BLVD STE 255 WOODLAND HILLS CA 91364	USD 420,000	Sales of fitness equipment
Dyaco (Shanghai) Trading Co., LTD.	2010.07.28	Room 601, 6F, Block A, No. 125, Shijie Road, Yangpu District, Shanghai	USD 3,000,000	Sales of fitness equipment
Shelton Corporation (Jiaxing), LTD	2002.11.14	No. 1058, Changsheng East Road, Jingji Technology Development Area, Jiaxing City, Zhejiang Province	USD 21,830,000	Sales and manufacturing of outdoor furniture and fitness equipment
Dyaco Health Technology (Beijing) Co., Ltd.	2010.07.28	Room 718, 7F, No. 80, Dajie, In Guangqu Door, Dongcheng District, Beijing City	RMB 3,500,000	Sales of fitness equipment
Daan Health Management Consulting Co., Ltd.	2015.12.18	12F., No.111, Songjiang Rd., Taipei City	NTD 10,000,000	Health management consultation and leasing of rehabilitation equipment
Dyaco Japan Co., Ltd.	2012.09.18	6-24-7, Nishikasai, Edogawa-ku, Tokyo	JPY 51,000,000	Sales of fitness equipment
Wing Long Co., Ltd.	2018.06.27	12F., No.111, Songjiang Rd., Taipei City	NTD 25,000,000	Sales of alcoholic drinks
Dyaco UK, Ltd.	2018.03.05	Unit 5 Featherstone Road Mill Square, Wolverton Mill, Milton Keynes, Bucks, MK12 5ZD	GBP 1,850,000	Sales of fitness equipment
Dyaco Europe GmbH	2014.06.26	Technologiepark Bergisch Gladbach Haus 56, Friedrich-Ebert-Straße 75, 51429 Bergisch Gladbach	EUR 500,000	Sales of fitness equipment
CARDIO Fitness GmbH & CO. KG	2002.11.14	Industriestr. 154, 50996 Köln, Germany	EUR 41,000	Sales of fitness equipment
CARDIO Fitness Verwaltungs GmbH	2009.11.11	Industriestr. 154, 50996 Köln, Germany	EUR 25,000	Investment

Name	Date of Establishment	Address	Paid-in Capital	Main business and products
Cikayda Inc.	2021.04.09	12F., No.111, Songjiang Rd., Taipei City	NTD 20,000,000	Management consultation
Sole Inc.	2019.11.27	56 E Exchange P1, Salt Lake City, UT 84111	USD 31,490,000	Investment
Fitness Equipment Service, LLC	2001.08.23	56 E Exchange P1, Salt Lake City, UT 84111	USD 2,100,000	Sales of fitness equipment
President Plastic Products MFG. Co., Ltd.	1967.10.24	31F., No. 213, Chaofu Rd., Xitun Dist., Taichung City	NTD 11,100,000	Real estate lease
Neutron Ventures Ltd	2008.04.17	C/o Sweatband.com, 94 Cleveland Street, London, England, W1T 6NW	GBP 36	Investment
Interactive Online Commerce Ltd	2008.09.02	C/o Sweatband.com, 94 Cleveland Street, London, England, W1T 6NW	GBP 14,961	Investment
Neutron Ventures Poland S,p Z,o,o	2009.10.15	Ul. Piotrkowska 60-2.12-2.18, 90-105 Łódź, Woj. łódzkie	PLN 5,000	Management consultation
Sweatband.com Ltd	1995.11.29	94 Cleveland Street, London, England, W1T 6NW	GBP 951	Sales of fitness equipment
City Sport Co. Ltd	2001.10.19	18/28 Moo 9 Khlong Lam Chiak Road, Bung Kum, Thailand	THB 40,000,000	Sales of fitness equipment

Note: The cancellation of Dyaco Commercial & Medical North America, LLC. was completed in December 2021.

2. Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation: None.
3. Industries covered by the operations of all affiliates: The Company and most of its affiliates are engaged in the research and development, production and sales of fitness equipment, and some of them are engaged in the manufacture of outdoor furniture, wine trading and real estate leasing.
4. Information of Directors, Supervisors, and Presidents of affiliates:

Name	Title	Name or Representative	Shares hold	
			Share	%
Dyaco International Holding Limited	Director	Lin, Ing-Gin	Dyaco holds 290,634,268 shares	100%
Fuel-Spirit International Inc.	Director	Lin, Ing-Gin	Dyaco Holding holds 12,400,000 shares	100%
Dyaco Europe GmbH	Director	Lin, Ing-Gin	Dyaco invests EUR10,100,000	100%
CARDIO Fitness GmbH & CO. KG	Representative	Ting, Ping-I	Dyaco invests EUR7,325,000	100%
CARDIO Fitness Verwaltungs GmbH	Representative	Ting, Ping-I	Dyaco invests EUR29,000	100%
Dyaco UK, Ltd.	Director	Lin, Ing-Gin	Dyaco holds GBP 1,850,000	100%
Spirit Manufacturing Inc.	President	Chen, Ting-Chung	Fuel Spirit holds 1,667.5 shares	100%
Spirit Direct LLC	Representative	John Gibbs	Spirit invests USD2,000,000	100%
Sole Inc.	Director	Chen, Ting-Chung	Fuel Spirit invests USD31,490,000	100%
Fitness Equipment Service, LLC	Representative	William Macfarlane	Sole Inc. invests USD31,477,000	100%
Dyaco Canada Inc.	Chairman	Brian Patterson	Fuel Spirit holds 1,000 shares	100%
	Director	Lin, Ing-Gin		
Dyaco Japan Co., Ltd.	President	Shimizu Manabu	Dyaco holds 1,020 shares	100%
Dyaco (Shanghai) Trading Co., LTD.	Chairman	Chen, Hsien-Ming	Dyaco Holding invests USD3,000,000	100%
	Director	Wang, Shun-Chien and Lin, Ing-Gin		
	Supervisor	Wu, Mei-Hua		
Dyaco Health Technology (Beijing) Co., Ltd.	Representative	Huang, Kuo-I	Dyaco (Shanghai) invests RMB3,500,000	100%
Shelton Corporation (Jiaxing), LTD	Representative	Tzeng, Huei-Feng	Dyaco Holding invests USD21,830,000	60%
Wing Long Co., Ltd.	Chairman	Lin, Ing-Gin	Dyaco holds 2,500,000 shares	100%
	Director	Wu, Mei-Hua and Chen, Hsien-Ming		
	Supervisor	Chiu, Yuan-Sheng		
President Plastic Products MFG. Co., Ltd.	Chairman	Lin, Ing-Gin	Dyaco holds 1,100,000 shares	100%
	Supervisor	Wu, Mei-Hua		
Daan Health Management Consulting Co., Ltd.	Chairman	Wu, Mei-Hua	Dyaco holds 1,000,000 shares	100%
	Director	Lin, Shih-Chieh and Chen, Hsien-Ming		
	Supervisor	Chiu, Yuan-Sheng		
Neutron Ventures Ltd	Director	Maziar Darvish, Pierre Jean, De Villiers, Lin, Ing-Gin, Ting, Ping-I and Liu, Yu-Ching	Dyaco invests GBP3,258,000	80%
Interactive Online Commerce Ltd	Director	Maziar Darvish, Pierre Jean, De Villiers	Dyaco invests GBP2,632,000	80%
Sweatband.com Ltd	Director	Maziar Darvish, Pierre Jean, De Villiers	Dyaco invests GBP2,604,000	80%
Neutron Ventures Poland S.p. Z.o.o	Representative	Maziar Darvish	Dyaco invests PLN5,000	80%
City Sport Co. Ltd	Director	Liu, I-Cheng	Dyaco invests THB14,420,000	44%
Cikayda Inc.	Chairman	Lin, Ing-Gin	Dyaco holds 2,000,000 shares	100%
	Director	Chiu, Yuan-Shen and Ho, Chieh-Shun		

Note: The cancellation of Dyaco Commercial & Medical North America, LLC. was completed in December 2021.

## 5. Affiliated enterprises' operational review in 2021

Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Current Profit and Loss (After Tax)	EPS
Dyaco Holding Limited	HKD 290,634,268	HKD 442,824,035	HKD 586,932	HKD 442,237,103	HKD -	HKD 2,266,202	HKD 16,225,549	HKD 0.06
Fuel-Spirit International Inc.	USD 12,400,000	USD 29,897,413	USD 4,470,741	USD 25,426,672	USD 12,242,615	USD 1,547,892	USD 1,614,857	USD 0.13
Dyaco Europe GmbH	EUR 500,000	EUR 7,821,354	EUR 4,479,646	EUR 3,341,709	EUR 2,155,085	EUR (538,150)	EUR 889,018	N/A
CARDIO Fitness GmbH & CO. KG	EUR 41,000	EUR 7,510,929	EUR 4,980,899	EUR 2,530,030	EUR 16,778,429	EUR 1,446,311	EUR 1,530,521	N/A
CARDIO Fitness Verwaltungs GmbH	EUR 25,000	EUR 28,931	EUR 990	EUR 27,941	EUR 1,500	EUR 156	EUR 156	N/A
Dyaco UK, Ltd.	GBP 1,850,000	GBP 4,717,266	GBP 7,348,049	GBP (2,630,783)	GBP 4,756,535	GBP (767,599)	GBP (760,159)	N/A
Spirit Manufacturing Inc.	USD 41,688	USD 72,049,707	USD 61,308,937	USD 10,740,770	USD 89,350,077	USD (352,276)	USD (1,159,862)	USD (695.57)
Spirit Direct LLC	USD 2,000,000	USD 1,546,703	USD 2,686,907	USD (1,140,204)	USD 857,422	USD (367,990)	USD (396,642)	N/A
Dyaco Commercial & Medical North America, LLC. (Note)	USD 200,000	USD 1,155	USD (1,517)	USD 2,671	USD -	USD (472,711)	USD (484,029)	N/A
Sole Inc.	USD 31,490,000	USD (5,440,944)	USD 321,238	USD (5,762,182)	USD -	USD (57)	USD (11,223,555)	N/A
Fitness Equipment Service, LLC	USD 2,100,000	USD 62,338,174	USD 68,793,939	USD (6,455,765)	USD 166,181,050	USD (11,356,476)	USD (11,344,841)	N/A
Dyaco Canada Inc.	CAD 1,000	CAD 21,788,945	CAD 11,665,357	CAD 10,123,588	CAD 43,766,781	CAD 2,560,283	CAD 1,694,557	CAD 1,694.56
Neutron Ventures Ltd	GBP 36	GBP 4,465,434	GBP 2,446,304	GBP 2,019,130	GBP -	GBP (31)	GBP (102,650)	N/A
Interactive Online Commerce Ltd	GBP 14,961	GBP 4,684,287	GBP 2,434,460	GBP 2,249,826	GBP -	GBP -	GBP 85,979	N/A
Neutron Ventures Poland S.p. z o.o	PLN 5,000	PLN 239,517	PLN 286,489	PLN (46,971)	PLN 113,086	PLN (90,034)	PLN (90,211)	N/A
Sweatband.com Ltd	GBP 951	GBP 6,003,098	GBP 3,758,634	GBP 2,244,465	GBP 936,579	GBP (118,821)	GBP (85,979)	N/A
CITY SPORTS (THAILAND) CO., LTD.	THB 40,000,000	THB 42,253,454	THB 27,730,922	THB 14,522,532	THB 1,162,326	THB (2,279,418)	THB (2,292,619)	N/A
Dyaco Japan Co., Ltd.	JPY 99,000,000	JPY 177,551,758	JPY 261,724,825	JPY (84,173,067)	JPY 144,846,820	JPY (44,553,666)	JPY (66,041,006)	JPY (64,746.08)
Dyaco (Shanghai) Trading Co., LTD.	RMB 19,307,950	RMB 73,383,058	RMB 35,247,784	RMB 38,135,274	RMB 66,775,316	RMB (269,755)	RMB (523,229)	N/A
Dyaco Health Technology (Beijing) Co., Ltd.	RMB 3,500,000	RMB 833,673	RMB 47,386	RMB 786,287	RMB -	RMB (268,984)	RMB (269,058)	N/A
Shelton Corporation	RMB 151,913,772	RMB 474,498,274	RMB 341,056,860	RMB 133,441,414	RMB 827,934,453	RMB 12,091,537	RMB 6,157,405	N/A

(Jiaxing), LTD								
President Plastic Products MFG. Co., Ltd.	TWD 11,100,000	TWD 39,904,913	TWD 31,133,194	TWD 8,771,719	TWD -	TWD (365,559)	TWD 888,018	TWD 0.80
Wing Long Co., Ltd.	TWD 25,000,000	TWD 13,761,593	TWD 5,533,196	TWD 8,228,397	TWD 876,180	TWD (10,484,391)	TWD (8,476,901)	TWD (0.52)
Cikayda Inc.	TWD 20,000,000	TWD 19,342,288	TWD 393,596	TWD 18,948,692	TWD -	TWD (1,057,232)	TWD (1,051,308)	TWD (3.39)
Daan Health Management Consulting Co., Ltd.	TWD 10,000,000	TWD 8,601,107	TWD 14,423	TWD 8,586,684	TWD 571,428	TWD (913,750)	TWD (922,358)	TWD (0.92)

Note: The cancellation of Dyaco Commercial & Medical North America, LLC. was completed in December 2021.

8.1.2 Consolidated financial statements of affiliated enterprises: Please refer to Attachment 1.

8.1.3 Affiliation report: None.

8.2 Private placement of securities during the most recent year or during the current year up to the date of publication of the annual report: None.

8.3 Holding or disposal of stocks of the Company by subsidiaries during the most recent year or during the current year up to the date of publication of the annual report: None.

8.4 Other supplemental information: None.

**IX. Matters, if any, that may materially affect shareholders' interests or the price of securities under Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act during the most recent year or during the current year up to the date of publication of the annual report: None.**

## **Attachment 1**

Financial Report in the most recent year, including independent auditors' audit report, balance sheet, statement of comprehensive income, statement of change in equity, statement of cash flow, and notes, or table.

## **Dyaco International Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Dyaco International Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Dyaco International Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions for the key audit matters of the consolidated financial statements are as follows:

#### Loss on Inventory Obsolescence

The carrying amount of inventories held by Group was \$3,531,206 thousand as of December 31, 2021, which represented 29% of the consolidated total assets. The amount of inventories is significant and the valuation of inventories involves significant accounting judgments and estimates made by management, especially when estimating losses from obsolete finished goods and merchandise. Therefore, the estimation of obsolescence loss from finished goods and merchandise was considered to be a key audit matter. For the accounting policies, significant accounting judgments and estimates related to inventory, refer to Notes 4-8 and 5-1.

We evaluated the appropriateness of method applied in the calculation of obsolescence loss for finished goods and merchandise at year end. Then, we verified the data used in assumptions against the relevant supporting documents and recalculated the loss provision to ensure its accuracy. In addition, we reviewed the aging report of finished goods and merchandise and compared the allocated historical obsolescence loss with actual disposal of finished goods and merchandise from previous years in order to evaluate the adequacy of inventory losses due to obsolescence.

#### Impairment of Goodwill

According to IAS 36 “Impairment of Assets”, goodwill arising from the acquisition of a business is subject to an annual impairment test by comparing its carrying amount (including attributable goodwill) with its recoverable amount. As of December 31, 2021, the carrying amount of goodwill held by the Group was \$528,950 thousand, which represented 4% of the total assets in the consolidated balance sheets. The impairment test of goodwill involves significant accounting judgments and estimates made by management, especially when estimating the future cash flows and discount rates used to calculate the present value of a cash-generating unit. Thus, the impairment test of goodwill was considered to be a key audit matter. For the accounting policies on impairment of goodwill and the related significant accounting judgments and estimates, refer to Notes 4-12 and 5-2. The cash-generating unit of goodwill from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 18, including the projected future cash flows and discount rates (weighted average cost of capital).

We assessed the professional skills, competencies, and objectivity of independent appraisers hired by management, and also verified the qualifications of appointed appraisers. In addition, we confirmed that nothing would affect the objectivity or restriction of job duties by discussing the job scope and reviewing conditions of appointment with management. We checked whether the method used by independent appraisers was in accordance with the International Accounting Standards (IAS).

We assessed management’s judgments based on the opinion of our financial advisor, especially with regard to material assumptions (including the prediction of future cash flows and discount rates) used by management to confirm the appropriateness of management’s judgments. Our primary audit procedures performed included the following:

1. We tested the data used to estimate recoverable amount of goodwill, such as historical operating revenue, revenue growth rate and gross margin for assessing the reasonableness of assumptions.
2. We compared the budgeted amounts with actual operating results of the Group in 2021 when considering the assessment of reliability prediction for 2022 and future years in order to assess the accuracy of management’s historical predictions.
3. We checked if there were significant differences between the weighted average cost of capital calculated by using the same valuation method and the weighted average cost of capital adopted by the Group to confirm that management applied the appropriate discount rates for assessing goodwill impairment.

## **Other Matter**

We have also audited the parent company only financial statements of Dyaco International Inc. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Chao-Mei Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 31, 2022

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 1,212,636	10	\$ 1,542,324	12
Financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	2,593	-
Financial assets at amortized cost (Notes 4, 9 and 38)	292,394	2	208,931	1
Notes receivable (Notes 4, 10 and 27)	1,490	-	2,020	-
Accounts receivable (Notes 4, 10 and 27)	1,647,028	14	3,050,265	23
Other receivables (Notes 4 and 10)	68,090	1	86,259	1
Current tax assets (Note 29)	35,596	-	17,980	-
Inventories (Notes 4, 5, 11 and 38)	3,531,206	29	3,141,741	24
Prepayments (Note 12)	155,988	1	183,385	1
Other current assets	22,631	-	20,363	-
Total current assets	6,967,059	57	8,255,861	62
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	139,035	1	-	-
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	58,785	1	51,165	-
Investments accounted for using the equity method (Notes 4 and 14)	29,706	-	5,252	-
Property, plant and equipment (Notes 4, 15 and 38)	2,913,174	24	2,877,597	22
Right-of-use assets (Notes 4, 16 and 38)	328,889	3	350,377	3
Investment properties (Notes 4, 17 and 38)	53,481	1	57,061	-
Goodwill (Notes 4, 5, 18 and 32)	528,950	4	478,118	4
Other intangible assets (Notes 4 and 19)	742,471	6	760,552	6
Deferred income tax assets (Notes 4 and 29)	383,136	3	330,238	3
Prepayments for equipment	9,533	-	15,931	-
Refundable deposits	19,553	-	57,918	-
Other non-current assets	2,855	-	11,918	-
Total non-current assets	5,209,568	43	4,996,127	38
TOTAL	\$ 12,176,627	100	\$ 13,251,988	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 38)	\$ 2,866,075	24	\$ 1,573,781	12
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	14,135	-	1,685	-
Notes payable (Note 22)	33,271	-	781,353	6
Accounts payable (Note 22)	1,338,034	11	2,438,687	18
Other payables (Note 23)	650,538	5	1,075,723	8
Current income tax liabilities (Note 29)	27,907	-	401,093	3
Provisions (Notes 4 and 24)	19,343	-	18,359	-
Lease liabilities (Notes 4 and 16)	17,859	-	19,863	-
Contract liabilities (Note 27)	21,470	-	74,531	1
Current portion of long-term borrowings (Notes 20 and 38)	232,812	2	159,929	1
Other current liabilities (Note 26)	76,561	1	63,901	1
Total current liabilities	5,298,005	43	6,608,905	50
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 21)	1,379,436	11	462,372	4
Long-term borrowings (Notes 20 and 38)	557,615	5	790,621	6
Deferred tax liabilities (Notes 4 and 29)	408,402	4	426,806	3
Lease liabilities (Notes 4 and 16)	34,620	-	44,408	-
Long-term payables (Note 23)	107,094	1	25,878	-
Net defined benefit liabilities (Note 25)	19,284	-	20,399	-
Guarantee deposits received	2,732	-	2,737	-
Total non-current liabilities	2,509,183	21	1,773,221	13
Total liabilities	7,807,188	64	8,382,126	63
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 26)				
Share capital				
Ordinary shares	1,339,822	11	1,311,496	10
Advance share capital	400	-	15,027	-
Total share capital	1,340,222	11	1,326,523	10
Capital surplus	2,115,925	18	1,986,005	15
Retained earnings				
Legal reserve	284,853	2	152,827	1
Special reserve	175,628	1	105,812	1
Unappropriated earnings	676,913	6	1,390,288	10
Total retained earnings	1,137,394	9	1,648,927	12
Other equity	(238,087)	(2)	(175,628)	(1)
Treasury shares	(368,604)	(3)	(272,651)	(2)
Total equity attributable to owners of the Corporation	3,986,850	33	4,513,176	34
NON-CONTROLLING INTERESTS (Notes 13 and 26)	382,589	3	356,686	3
Total equity	4,369,439	36	4,869,862	37
TOTAL	\$ 12,176,627	100	\$ 13,251,988	100

The accompanying notes are an integral part of the consolidated financial statements.

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)	\$ 11,898,232	101	\$ 13,267,753	101
LESS: SALES RETURNS	47,460	-	28,424	-
SALES DISCOUNTS AND ALLOWANCES	<u>108,691</u>	<u>1</u>	<u>115,573</u>	<u>1</u>
NET OPERATING REVENUE	11,742,081	100	13,123,756	100
OPERATING COSTS (Notes 11 and 28)				
Cost of sales	<u>7,684,679</u>	<u>65</u>	<u>7,639,437</u>	<u>58</u>
GROSS PROFIT	<u>4,057,402</u>	<u>35</u>	<u>5,484,319</u>	<u>42</u>
OPERATING EXPENSES (Notes 28 and 35)				
Selling and marketing	2,421,111	21	2,783,591	21
General and administrative	717,603	6	731,158	6
Research and development	110,751	1	115,655	1
Expected credit loss	<u>19,267</u>	<u>-</u>	<u>14,169</u>	<u>-</u>
Total operating expenses	<u>3,268,732</u>	<u>28</u>	<u>3,644,573</u>	<u>28</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 19 and 28)	<u>(2,840)</u>	<u>-</u>	<u>13,164</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>785,830</u>	<u>7</u>	<u>1,852,910</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,444	-	2,819	-
Rental income	15,678	-	16,209	-
Other income	21,434	-	35,560	-
Foreign exchange loss, net (Note 28)	(185,471)	(1)	(194,560)	(1)
Gain or loss on valuation of financial instruments	(14,951)	-	(579)	-
Other expenses	(2,988)	-	(1,339)	-
Interest expense (Note 28)	(68,509)	(1)	(56,116)	-
Share of loss of associates (Note 14)	<u>(3,321)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(236,684)</u>	<u>(2)</u>	<u>(198,006)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	549,146	5	1,654,904	13
INCOME TAX EXPENSE (Notes 4 and 29)	<u>104,956</u>	<u>1</u>	<u>336,848</u>	<u>3</u>
NET PROFIT	<u>444,190</u>	<u>4</u>	<u>1,318,056</u>	<u>10</u>

(Continued)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	\$ 808	-	\$ (1,058)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(5,200)	-	(1,053)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)	(162)	-	212	-
	<u>(4,554)</u>	<u>-</u>	<u>(1,899)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(58,579)</u>	<u>(1)</u>	<u>(59,195)</u>	<u>-</u>
Other comprehensive loss for the period, net of income tax	<u>(63,133)</u>	<u>(1)</u>	<u>(61,094)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 381,057</u>	<u>3</u>	<u>\$ 1,256,962</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 440,848	4	\$ 1,321,109	10
Non-controlling interests	<u>3,342</u>	<u>-</u>	<u>(3,053)</u>	<u>-</u>
	<u>\$ 444,190</u>	<u>4</u>	<u>\$ 1,318,056</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 379,035	3	\$ 1,250,448	10
Non-controlling interests	<u>2,022</u>	<u>-</u>	<u>6,514</u>	<u>-</u>
	<u>\$ 381,057</u>	<u>3</u>	<u>\$ 1,256,962</u>	<u>10</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 3.48</u>		<u>\$ 11.69</u>	
Diluted	<u>\$ 3.31</u>		<u>\$ 11.38</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Note 26)											
							Other Equity		Treasury Shares	Total	Non-controlling Interests (Notes 13 and 26)	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Ordinary Shares	Advance Share Capital			Legal Reserve	Special Reserve			Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 961,009	\$ -	\$ 758,304	\$ 133,886	\$ 79,123	\$ 239,976	\$ (109,706)	\$ 3,893	\$ (172,340)	\$ 1,894,145	\$ 350,172	\$ 2,244,317
Issuance of ordinary shares under employee share options (Note 31)	3,000	1,000	121,631	-	-	-	-	-	-	125,631	-	125,631
Equity component of convertible bonds issued by the Corporation (Notes 21 and 26)	-	-	12,666	-	-	-	-	-	-	12,666	-	12,666
Changes in capital surplus from investments using the equity method (Note 31)	-	-	558	-	-	-	-	-	-	558	-	558
Appropriation of prior year's earnings												
Legal reserve	-	-	-	18,941	-	(18,941)	-	-	-	-	-	-
Special reserve	-	-	-	-	26,689	(26,689)	-	-	-	-	-	-
Cash dividends to shareholder - NT\$1.15 per share	-	-	-	-	-	(124,321)	-	-	-	(124,321)	-	(124,321)
	-	-	-	18,941	26,689	(169,951)	-	-	-	(124,321)	-	(124,321)
Convertible bonds converted to ordinary shares (Note 21)	157,487	14,027	549,273	-	-	-	-	-	-	720,787	-	720,787
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	1,321,109	-	-	-	1,321,109	(3,053)	1,318,056
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(846)	(68,762)	(1,053)	-	(70,661)	9,567	(61,094)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,320,263	(68,762)	(1,053)	-	1,250,448	6,514	1,256,962
Issuance of ordinary shares for cash (Note 26)	190,000	-	548,745	-	-	-	-	-	-	738,745	-	738,745
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	-	(155,550)	(155,550)	-	(155,550)
Treasury shares transferred to employees (Note 26)	-	-	(5,172)	-	-	-	-	-	55,239	50,067	-	50,067
BALANCE AT DECEMBER 31, 2020	1,311,496	15,027	1,986,005	152,827	105,812	1,390,288	(178,468)	2,840	(272,651)	4,513,176	356,686	4,869,862
Issuance of ordinary shares under employee share options (Note 31)	8,760	(600)	58,812	-	-	-	-	-	-	66,972	-	66,972
Equity component of convertible bonds issued by the Corporation (Notes 21 and 26)	-	-	38,988	-	-	-	-	-	-	38,988	-	38,988
Changes in capital surplus from investments using the equity method (Note 31)	-	-	1,876	-	-	-	-	-	-	1,876	-	1,876
Gain on disgorgement	-	-	140	-	-	-	-	-	-	140	-	140
Appropriation of prior year's earnings												
Legal reserve	-	-	-	132,026	-	(132,026)	-	-	-	-	-	-
Special reserve	-	-	-	-	69,816	(69,816)	-	-	-	-	-	-
Cash dividends to shareholder - NT\$7.50 per share	-	-	-	-	-	(953,027)	-	-	-	(953,027)	-	(953,027)
	-	-	-	132,026	69,816	(1,154,869)	-	-	-	(953,027)	-	(953,027)
Convertible bonds converted to ordinary shares (Note 21)	19,566	(14,027)	43,162	-	-	-	-	-	-	48,701	-	48,701
Net profit for the year ended December 31, 2021	-	-	-	-	-	440,848	-	-	-	440,848	3,342	444,190
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	646	(57,259)	(5,200)	-	(61,813)	(1,320)	(63,133)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	441,494	(57,259)	(5,200)	-	379,035	2,022	381,057
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	23,496	23,496
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	-	(157,086)	(157,086)	-	(157,086)
Treasury shares transferred to employees (Note 26)	-	-	(13,058)	-	-	-	-	-	61,133	48,075	385	48,460
BALANCE AT DECEMBER 31, 2021	\$ 1,339,822	\$ 400	\$ 2,115,925	\$ 284,853	\$ 175,628	\$ 676,913	\$ (235,727)	\$ (2,360)	\$ (368,604)	\$ 3,986,850	\$ 382,589	\$ 4,369,439

The accompanying notes are an integral part of the consolidated financial statements.

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 549,146	\$ 1,654,904
Adjustments for:		
Depreciation expense	202,549	199,252
Amortization expense	81,325	124,398
Expected credit loss recognized	19,267	14,169
Net loss on fair value changes of financial instrument at fair value through profit or loss	14,951	579
Interest expense	68,509	56,116
Interest income	(1,444)	(2,819)
Compensation costs of employee share options	36,640	110,114
Share of loss of associates	3,321	-
Loss on disposal of property, plant and equipment	2,723	213
Loss (gain) on disposal of intangible assets	117	(18,960)
Loss on inventories valuation and obsolescence	3,577	1,942
Loss on lease modification	-	16
Impairments loss on prepayment for goods	-	5,567
Unrealized loss on foreign currency exchange	168,266	110,426
Changes in operating assets and liabilities		
Notes receivable	530	(519)
Accounts receivable	1,313,017	(1,627,374)
Other receivables	62,910	(37,029)
Inventories	(371,807)	(1,686,436)
Prepayments	35,450	(81,082)
Other current assets	(3,008)	7,703
Contract liabilities	(53,061)	66,630
Notes payable	(748,082)	472,795
Accounts payable	(1,113,088)	1,575,672
Other payables	(431,906)	502,792
Provisions	(5,841)	2,997
Other current liabilities	12,660	13,392
Net defined benefit liabilities	(307)	(222)
Cash generated from (used in) operations	(153,586)	1,465,236
Interest received	1,444	2,810
Interest paid	(57,775)	(49,906)
Income tax paid	(571,547)	(142,872)
Net cash generated from (used in) operating activities	(781,464)	1,275,268
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(12,900)	(9,075)
Decrease (increase) in financial assets at amortized cost	(83,463)	119,426
Purchase of financial assets at fair value through profit or loss	(138,750)	-
Purchase of investments accounted for using the equity method	(27,750)	(5,138)

(Continued)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Net cash outflow on acquisition of subsidiaries (Notes 32 and 33)	\$ (75,325)	\$ (1,089,333)
Payments for property, plant and equipment (Note 34)	(225,170)	(96,792)
Proceeds from disposal of property, plant and equipment	10,808	1,152
Increase in refundable deposits	(1,179)	(43,123)
Payments for intangible assets (Note 34)	(58,823)	(67,141)
Decrease (increase) in other non-current assets	<u>9,063</u>	<u>(5,717)</u>
Net cash used in investing activities	<u>(603,489)</u>	<u>(1,195,741)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	1,289,927	(453,384)
Proceeds from issuance of convertible bonds	994,594	594,648
Repayments of bonds payables	-	(100)
Proceeds from long-term borrowings	-	200,000
Repayments of long-term borrowings	(158,886)	(145,956)
Proceeds from guarantee deposits received	62	157
Repayment of the principal portion of lease liabilities	(20,503)	(22,557)
Cash dividends	(953,027)	(124,321)
Proceeds from issuance of ordinary shares (Note 26)	-	706,129
Exercise of employee share options	32,593	16,075
Payments for buy-back of ordinary shares	(157,086)	(155,550)
Proceeds from treasury shares transferred to employees	48,075	50,067
Imposition of disgorgement	<u>140</u>	<u>-</u>
Net cash generated from financing activities	<u>1,075,889</u>	<u>665,208</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(20,624)</u>	<u>(28,624)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(329,688)</b>	<b>716,111</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<u><b>1,542,324</b></u>	<u><b>826,213</b></u>
<b>CASH, END OF THE YEAR</b>	<u><b>\$ 1,212,636</b></u>	<u><b>\$ 1,542,324</b></u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Dyaco International Inc. (the “Corporation”) was established in 1990. The Corporation and its subsidiaries are collectively referred to as the Group. The Group mainly manufactures, imports, exports and sells sports equipment and outdoor furniture. The Corporation’s shares have been listed on the Taiwan Stock Exchange since September 20, 2016.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 31, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group assesses the possible impact that the application of other standards and interpretations did not have material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

##### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 13, Tables 6 and 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

### **Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

### **Acquisition of a Subsidiary That Does Not Constitute a Business**

When the Group acquires a subsidiary that does not constitute a business, the Group will identify and recognize the individual identifiable assets acquired (including intangible assets) and liabilities assumed, and then allocate the transaction price to the individual identifiable assets and liabilities. When allocating the transaction price, first, any identifiable assets or liabilities initially measured at an amount other than cost are initially measured at the amount specified in the applicable IFRS standards. Then the amounts of the assets and liabilities determined according to the applicable IFRS standards are deducted from the transaction price; the residual transaction price is then allocated to the remaining identifiable assets and liabilities (i.e., assets and liabilities initially measured at cost) based on their relative fair values at the date of the acquisition.

### **Foreign Currencies**

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries' operations in other countries that used different currencies from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

### **Inventories**

Inventories consist of raw materials, supplies, work in process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost on the balance sheet date.

### **Investments in Associates**

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Freehold land is not depreciated.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Investment Properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

## **Goodwill**

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

## **Intangible Assets**

### **a. Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

### **b. Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

### **c. Derecognition of intangible assets**

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets Other than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

##### **a) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 36.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 300 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### 3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### b. Financial liabilities

The Group derecognizes financial liabilities only when, the Group's obligations are discharged or canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### c. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and cross-currency swap contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

#### d. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

### **Provisions**

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditures required to settle the Group's obligations.

### **Revenue Recognition**

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

#### **a. Revenue from the sale of goods**

Revenue from the sale of goods comes from sales of fitness equipment and outdoor furnitures. Sales of these goods are recognized as revenue when the ownership of goods has been transferred from seller to buyer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

#### **b. Revenue from the rendering of services**

Revenue is recognized when services are rendered.

### **Leasing**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

#### **a. The Group as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the consolidated balance sheets.

## **Employee Benefits**

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Net interest on the net defined benefit liability are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement

recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### **Share-based Payment Arrangements**

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **a. Current tax**

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

a. Write-down of inventories

The obsolete inventory is assessed by performing inventory aging analysis. And the estimation of write-down of inventories is based on cost impairment percentage according to historical experience. In case the actual situation of obsolete inventory is more serious than expected, a material impairment loss may arise.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 14,618	\$ 10,396
Checking accounts and demand deposits	<u>1,198,018</u>	<u>1,531,928</u>
	<u>\$ 1,212,636</u>	<u>\$ 1,542,324</u>

The market interest rates of cash in bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Demand deposits	0.001%-0.35%	0.001%-0.35%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Convertible bonds options (Note 21)	\$ -	\$ 2,593
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible promissory notes (Note 14)	\$ 139,035	\$ -
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts (not under hedge accounting)	\$ 772	\$ 1,685
Convertible bonds options (Note 21)	13,363	-
	\$ 14,135	\$ 1,685

At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2021</u>			
Cross-currency swap contracts	NTD/USD	2022.08.02-2022.12.30	NTD262,788/USD9,500
<u>December 31, 2020</u>			
Cross-currency swap contracts	NTD/USD	2021.06.18-2021.10.12	NTD43,799/USD1,500

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Unlisted ordinary shares	\$ 13,290	\$ -
Foreign investments		
Unlisted ordinary shares	<u>45,495</u>	<u>51,165</u>
	<u>\$ 58,785</u>	<u>\$ 51,165</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Restricted deposits	<u>\$ 292,394</u>	<u>\$ 208,931</u>

a. The market interest rates of cash in bank at the end of the reporting period were as follows:

	December 31	
	2021	2020
Restricted deposits	0.12%-0.29%	0.16%-0.30%

b. The financial assets at amortized cost pledged as collateral are set out in Note 38.

## 10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2021	2020
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,490	\$ 2,020
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,490</u>	<u>\$ 2,020</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,807,038	\$ 3,190,624
Less: Allowance for impairment loss	<u>160,010</u>	<u>140,359</u>
	<u>\$ 1,647,028</u>	<u>\$ 3,050,265</u>
<u>Other receivables</u>		
Deposit refund receivable	\$ 43,500	\$ -
Tax refund receivables	8,514	50,901
Others	<u>16,076</u>	<u>35,358</u>
	<u>\$ 68,090</u>	<u>\$ 86,259</u>
		(Concluded)

a. Notes receivable

The average credit period of sales of goods was 30 to 120 days. In the determination of credit risk, the Group takes into consideration any change in credit quality from the invoice date to the reporting date. The Group recognizes 100% allowance for impairment loss if notes receivable become overdue.

At the end of the reporting period, there were no overdue notes receivable for which the Group recognized allowance for impairment loss.

b. Accounts receivable

The average credit period of sales of goods was 30 to 120 days. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on operating area of subsidiaries, and determines the provision for loss allowance is based on past due status.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-0.56%	0%-27.21%	1.84%-48.87%	12.03%-61.3%	10%-100%	100%	
Gross carrying amount	\$ 1,500,327	\$ 105,530	\$ 29,616	\$ 23,705	\$ 13,425	\$ 134,435	\$ 1,807,038
Loss allowance (Lifetime ECLs)	<u>(2,699)</u>	<u>(2,615)</u>	<u>(4,216)</u>	<u>(7,098)</u>	<u>(8,947)</u>	<u>(134,435)</u>	<u>(160,010)</u>
Amortized cost	<u>\$ 1,497,628</u>	<u>\$ 102,915</u>	<u>\$ 25,400</u>	<u>\$ 16,607</u>	<u>\$ 4,478</u>	<u>\$ -</u>	<u>\$ 1,647,028</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-3.76%	0%-21.00%	1.84%-27.90%	2.57%-43.50%	5%-100%	100%	
Gross carrying amount	\$ 2,856,971	\$ 175,155	\$ 20,827	\$ 5,683	\$ 5,673	\$ 126,315	\$ 3,190,624
Loss allowance (Lifetime ECLs)	<u>(3,183)</u>	<u>(3,602)</u>	<u>(1,699)</u>	<u>(1,560)</u>	<u>(4,000)</u>	<u>(126,315)</u>	<u>(140,359)</u>
Amortized cost	<u>\$ 2,853,788</u>	<u>\$ 171,553</u>	<u>\$ 19,128</u>	<u>\$ 4,123</u>	<u>\$ 1,673</u>	<u>\$ -</u>	<u>\$ 3,050,265</u>

The Group's customer, New Level UK Ltd., was in severe financial difficulty and went into bankruptcy on February 26, 2018. As of December 31, 2021, accounts receivable from New Level UK Ltd. amounted to \$105,732 thousand (NT\$79,163 thousand and US\$960 thousand). Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Group recognized a loss allowance.

The movements of the loss allowance of accounts receivable were as follows:

	2021	2020
Beginning balance	\$ 140,359	\$ 135,039
Add: Acquisitions through business combinations	3,314	749
Add: Net remeasurement of loss allowance	19,267	14,169
Less: Amounts written off	(1,605)	(8,230)
Foreign exchange gains and losses	<u>(1,325)</u>	<u>(1,368)</u>
Ending balance	<u>\$ 160,010</u>	<u>\$ 140,359</u>

c. Other receivables

Other receivables consist of deposit refund receivables, tax refund receivables and others (including disposal of investments and advance payment etc.)

The Group adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group considers the current financial condition of debtors in order to measure twelve-month expected credit losses or lifetime expected credit losses. As of December 31, 2021, the ratio of allowance for impairment loss of other receivables was 0%.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 229,361	\$ 333,062
Work in progress	319,555	291,520
Finished goods	2,549,890	2,218,372
Merchandise	<u>432,400</u>	<u>298,787</u>
	<u>\$ 3,531,206</u>	<u>\$ 3,141,741</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 7,582,046	\$ 7,568,926
Inventory write-downs	3,577	1,942
Warranties	<u>99,056</u>	<u>68,569</u>
	<u>\$ 7,684,679</u>	<u>\$ 7,639,437</u>

The inventories pledged as collateral for bank borrowings are set out in Note 38.

## 12. PREPAYMENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepayments for goods	\$ 65,985	\$ 70,289
Tax overpayment retained for offsetting future tax payable	32,751	59,690
Prepaid expenses	51,258	45,991
Others	<u>5,994</u>	<u>7,415</u>
	<u>\$ 155,988</u>	<u>\$ 183,385</u>

### 13. SUBSIDIARIES

#### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2021	2020	
Dyaco International Inc.	Dyaco International Holding Limited	Investment	100	100	-
	Dyaco Europe GmbH	Import, export and selling	100	100	-
	Daan Health Management Consulting Co., Ltd.	Rental of medical equipment	100	100	-
	Dyaco Japan Co., Ltd.	Import, export and selling	100	100	-
	Wing Long Co., Ltd.	Import, export and selling	100	100	Note 6
	Dyaco UK Ltd.	Import, export and selling	100	100	-
	SOLE INC.	Investment	100	100	Note 1
	President Plastic Products MFG Co., Ltd.	Rental of property	100	100	Note 2
	Cikayda Inc.	Manufacturing and selling	100	-	Note 3
	CITY SPORTS (THAILAND) CO., LTD	Fitness equipment selling	44	-	Note 4
SOLE INC.	Neutron Ventures Ltd	Sporting goods online selling	80	-	Note 5
	Fitness Equipment Service, LLC.	Import, export and selling	100	100	Note 1
	Dyaco Europe GmbH	CARDIOfitness GmbH & Co. KG	100	100	-
Dyaco Europe GmbH	CARDIOfitness Verwaltungs GmbH	Investment	100	100	-
	Fuel-Spirit International Inc.	Import, export and selling	100	100	-
	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	100	100	-
Dyaco International Holding Limited	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	60	60	-
	Dyaco (Shanghai) Trading Co., Ltd.	Healthcare management consulting	100	100	-
	Fuel-Spirit International Inc.	Spirit Manufacturing Inc.	100	100	-
Fuel-Spirit International Inc.	Dyaco Canada Inc.	Import, export and selling	100	100	-
	Spirit Manufacturing Inc.	Spirit Direct, LLC.	100	100	-
	Dyaco Commercial & Medical North America, LLC.	Import, export and selling	100	100	-
Neutron Ventures Ltd	Interactive Online Commerce Ltd	Investment	100	-	Note 5
	Neutron Ventures Poland S.p z.o.o	Service industry	100	-	Note 5
	Interactive Online Commerce Ltd	Sweatband.com Ltd	Sporting goods selling	100	-

#### Remarks:

- 1) On January 2, 2020, the board of directors resolved to establish SOLE INC., to purchase 100% equity of Fitness Equipment Services, LLC. Also, the board of directors resolved to acquire interests in SOLE INC. for US\$31,490 thousand (NT\$948,631 thousand). In addition, on February 1, 2020, SOLE INC. purchased 100% equity of Fitness Equipment Services, LLC. for US\$31,477 thousand (NT\$948,251 thousand). For related information on business combinations, please refer to Note 32.
- 2) On August 12, 2020, the board of directors approved the resolution to purchase 100% equity of President Plastic Products Mfg. Co., Ltd. to acquire land in Dajia District, Taichung City, and planned to build a factory. On December 8, 2020, the Corporation purchased 100% equity of President Plastic Products Mfg. Co., Ltd. for NT\$258,640 thousand. As of December 31, 2021, NT\$18,889 thousand was not paid and recognized as other payables. For related information on acquisition of a subsidiary that does not constitute a business, please refer to Note 33.
- 3) In April 2021, the Corporation established Cikayda Inc. in the amount of NT\$20,000 thousand.

- 4) In November 2021, the Corporation purchased 44% equity of CITY SPORTS (THAILAND) CO., LTD for THB14,420 thousand (NT\$12,450 thousand), and according to the acquisition agreement, the Corporation obtained two out of three seats in the board of directors of CITY SPORTS (THAILAND) CO., LTD as the Corporation has control over the decision making of the relevant activities of the company; therefore, it is listed as a subsidiary. As of December 31, 2021, NT\$8,715 thousand was not paid and recognized as other payables. For related information on business combinations, refer to Note 32.
- 5) In December 2021, the Corporation purchased 80% equity of Neutron Ventures Ltd for GBP3,258 thousand (NT\$120,790 thousand). As of December 31, 2021, NT\$30,871 thousand was not paid and recognized as other payables. For related information on business combinations, refer to Note 32.
- 6) The Corporation acquired interests in subsidiary, Wing Long Co., Ltd., for NT\$5,000 thousand in December 2021.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2021	2020
Shelton Corporation (Jiaxing), Ltd.	China	40%	40%

See Table 7 for the information on the places of incorporation and principal places of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Shelton Corporation (Jiaxing), Ltd.	\$ 5,267	\$ (3,053)	\$ 360,781	\$ 356,686

The summarized financial information below represents amounts before intragroup eliminations and after consideration of acquisition premium amortization.

	December 31	
	2021	2020
Current assets	\$ 1,738,935	\$ 2,218,628
Non-current assets	918,445	991,059
Current liabilities	(1,479,458)	(2,031,709)
Non-current liabilities	(136,518)	(141,938)
Equity	\$ 1,041,404	\$ 1,036,040
Equity attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 680,623	\$ 679,354
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	360,781	356,686
	\$ 1,041,404	\$ 1,036,040

	2021	2020
Revenue	\$ <u>3,594,063</u>	\$ <u>3,184,399</u>
Net profit from continuing operations (remark)	\$ 13,167	\$ (7,632)
Other comprehensive income (loss) for the period	<u>(2,930)</u>	<u>23,917</u>
Total comprehensive income for the period	\$ <u>10,237</u>	\$ <u>16,285</u>
Profit (loss) attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 7,900	\$ (4,579)
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>5,267</u>	<u>(3,053)</u>
	\$ <u>13,167</u>	\$ <u>(7,632)</u>
Total comprehensive income attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 6,142	\$ 9,771
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>4,095</u>	<u>6,514</u>
	\$ <u>10,237</u>	\$ <u>16,285</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (28,855)	\$ (119,849)
Investing activities	(9,345)	(18,037)
Financing activities	<u>91,335</u>	<u>136,859</u>
Net cash inflow (outflow)	\$ <u>53,135</u>	\$ <u>(1,027)</u>
Remark:	Net profit was \$26,729 thousand less amortization of \$13,562 thousand for the year ended December 31, 2021. Net profit was \$5,746 thousand less amortization of \$13,378 thousand for the year ended December 31, 2020.	

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2021	2020
Investments in associates	\$ <u>29,706</u>	\$ <u>5,252</u>
Associates that are not individually material		
Morsel, Inc.	\$ 25,061	\$ -
Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	<u>4,645</u>	<u>5,252</u>
	\$ <u>29,706</u>	\$ <u>5,252</u>

On August 11, 2021, the board of directors resolved to invest in Morsel Inc., an intelligent fitness content production company, with a total amount of US\$6,000 thousand. The ordinary shares were acquired for US\$1,000 thousand (approximately NT\$27,750 thousand), which accounted for 11% of Morsel Inc.'s total equity; and in accordance with the investment agreement, the parent company has the right to appoint one third of the director seats and the ability to exercise significant influence over Morsel Inc. In addition, the three-year convertible promissory notes issued by Morsel Inc. were acquired for US\$5,000 thousand (approximately NT\$138,750 thousand) at an annual interest rate of 1%, which was recognized as financial assets at fair value through profit or loss and gain on fair value changes to NT\$285 thousand was recognized during 2021, please refer to Note 7.

The Group acquired 40% equity of Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. for \$5,123 thousand in July 2020. It provides technology development and consulting in the field of health technology.

Refer to Tables 6 and 7 for the principal places of business and countries of incorporation.

Aggregate information of associates that are not individually material:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Group's share of:		
Loss from continuing operations	\$ (3,321)	\$ -
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ (3,321)</u>	<u>\$ -</u>

The investments were accounted for using the equity method and the share of profit or loss of those investments was calculated based on financial statements which have been reviewed. However, the difference between the investment cost and net equity value incurred by the acquisition of Morsel Inc. was recognized at the provisional amount on the balance sheet date because its identifiable assets and liabilities have not yet been completed. During the measurement period, retrospective adjustments or recognition of additional assets or liabilities are made to reflect the new information obtained about the facts and circumstances that existed on the acquisition date.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 1,277,444	\$ 1,911,892	\$ 790,276	\$ 49,855	\$ 74,460	\$ 24,297	\$ -	\$ 4,128,224
Acquisitions through business combinations (Note 32)	-	10,375	243	6,595	4,747	-	-	21,960
Additions	7,590	3,777	53,870	5,857	6,273	1,421	152,550	231,338
Disposals	(1,433)	(12,899)	(213,379)	(10,209)	(5,071)	(1,670)	-	(244,661)
Effects of foreign currency exchange differences	(462)	(17,206)	(4,481)	(532)	(1,768)	(2,062)	(1,792)	(28,303)
Balance at December 31, 2021	<u>1,283,139</u>	<u>1,895,939</u>	<u>626,529</u>	<u>51,566</u>	<u>78,641</u>	<u>21,986</u>	<u>150,758</u>	<u>4,108,558</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	-	598,857	549,088	32,511	59,623	10,548	-	1,250,627
Acquisitions through business combinations (Note 32)	-	6,572	205	6,226	4,163	-	-	17,166
Depreciation expenses	-	66,592	86,880	4,659	7,581	3,706	-	169,418
Disposals	-	(3,244)	(212,173)	(9,626)	(4,417)	(1,670)	-	(231,130)
Effects of foreign currency exchange differences	-	(5,001)	(3,122)	(394)	(1,334)	(846)	-	(10,697)
Balance at December 31, 2021	<u>-</u>	<u>663,776</u>	<u>420,878</u>	<u>33,376</u>	<u>65,616</u>	<u>11,738</u>	<u>-</u>	<u>1,195,384</u>
Carrying amounts at December 31, 2021	<u>\$ 1,283,139</u>	<u>\$ 1,232,163</u>	<u>\$ 205,651</u>	<u>\$ 18,190</u>	<u>\$ 13,025</u>	<u>\$ 10,248</u>	<u>\$ 150,758</u>	<u>\$ 2,913,174</u>

(Continued)

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 993,472	\$ 1,911,586	\$ 690,454	\$ 43,768	\$ 72,039	\$ 21,524	\$ -	\$ 3,732,843
Acquisitions through business combinations (Notes 32 and 33)	284,704	-	36,712	-	346	1,599	-	323,361
Additions	-	4,246	65,497	9,739	4,692	1,750	-	85,924
Disposals	-	-	(3,049)	(3,721)	(1,581)	(1,237)	-	(9,588)
Effects of foreign currency exchange differences	(732)	(3,940)	662	69	(1,036)	661	-	(4,316)
Balance at December 31, 2020	<u>1,277,444</u>	<u>1,911,892</u>	<u>790,276</u>	<u>49,855</u>	<u>74,460</u>	<u>24,297</u>	<u>-</u>	<u>4,128,224</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	-	527,450	458,061	31,823	53,143	6,316	-	1,076,793
Acquisitions through business combinations (Notes 32 and 33)	-	-	13,257	-	75	1,094	-	14,426
Depreciation expenses	-	67,978	79,486	4,122	7,642	3,696	-	162,924
Disposals	-	-	(2,767)	(3,448)	(1,243)	(765)	-	(8,223)
Effects of foreign currency exchange differences	-	3,429	1,051	14	6	207	-	4,707
Balance at December 31, 2020	<u>-</u>	<u>598,857</u>	<u>549,088</u>	<u>32,511</u>	<u>59,623</u>	<u>10,548</u>	<u>-</u>	<u>1,250,627</u>
Carrying amounts at December 31, 2020	<u>\$ 1,277,444</u>	<u>\$ 1,313,035</u>	<u>\$ 241,188</u>	<u>\$ 17,344</u>	<u>\$ 14,837</u>	<u>\$ 13,749</u>	<u>\$ -</u>	<u>\$ 2,877,597</u>

(Concluded)

Remark: Reclassification to investment properties.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-50 years
Decoration	1-49 years
Machinery equipment	1-11 years
Transportation equipment	2-11 years
Office equipment	1-10 years
Leasehold improvements	1-10 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 38.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 279,783	\$ 287,713
Buildings	36,423	52,380
Transportation equipment	12,683	10,209
Office equipment	<u>-</u>	<u>75</u>
	<u>\$ 328,889</u>	<u>\$ 350,377</u>

	2021	2020
Additions for right-of-use assets	\$ 12,442	\$ 8,521
Depreciation charge for right-of-use assets		
Land	\$ 8,587	\$ 8,125
Buildings	15,214	22,260
Transportation equipment	5,946	2,593
Office equipment	<u>75</u>	<u>74</u>
	\$ 29,822	\$ 33,052

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 17,859	\$ 19,863
Non-current	\$ 34,620	\$ 44,408

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2021	2020
Land	1.36%	-
Buildings	1.56%-4.90%	1.56%-4.75%
Transportation equipment	1.66%-4.07%	1.65%-4.07%
Office equipment	-	4.07%

c. Material lease-in activities and terms

The Group leases certain buildings and office equipment for the use of plants, offices and retail stores with lease terms of 2 to 13 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

The Group leases transportation equipment for the use of business with lease terms of 3 to 4 years.

The land use rights of the Group are amortized over 50 years.

d. Other lease information

	2021	2020
Expenses relating to short-term leases	\$ 33,243	\$ 23,090
Expenses relating to low-value asset leases	\$ 640	\$ 273
Total cash outflow for leases	\$ (54,386)	\$ (47,738)

The Group leases certain buildings and transportation equipment which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 79,327
Effects of foreign currency exchange differences	<u>(410)</u>
Balance at December 31, 2021	<u>78,917</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	22,266
Depreciation expenses	3,309
Effects of foreign currency exchange differences	<u>(139)</u>
Balance at December 31, 2021	<u>25,436</u>
Carrying amount at December 31, 2021	<u>\$ 53,481</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 78,432
Effects of foreign currency exchange differences	<u>895</u>
Balance at December 31, 2020	<u>79,327</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	18,670
Depreciation expenses	3,276
Effects of foreign currency exchange differences	<u>320</u>
Balance at December 31, 2020	<u>22,266</u>
Carrying amount at December 31, 2020	<u>\$ 57,061</u>

The investment properties were leased out for 1 to 7 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 7,530	\$ 14,063
Year 2	663	4,180
Year 3	663	654
Year 4	663	654
Year 5	663	654
Year 5 onwards	<u>276</u>	<u>926</u>
	<u>\$ 10,458</u>	<u>\$ 21,131</u>

The investment properties used by the Group are depreciated on a straight-line basis over 20 to 33 years.

As of December 31, 2021 and 2020, the fair value of investment property located in Zhongshan District, Taipei City was \$22,363 thousand and \$23,294 thousand, respectively. The determination of fair value was not performed by independent qualified professional valuers. The management used the market-based evidence of transaction price of property, plant and equipment in determining the fair value. Management was unable to reliably measure the fair value of the investment property located in Jiaxing City, Zhejiang Province, China, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

## 18. GOODWILL

	2021	2020
<u>Cost</u>		
Balance at January 1	\$ 487,049	\$ 191,049
Acquisitions through business combinations (Note 32)	65,390	313,992
Effect of foreign currency exchange differences	<u>(15,502)</u>	<u>(17,992)</u>
Balance at December 31	<u>536,937</u>	<u>487,049</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	8,931	8,566
Effect of foreign currency exchange differences	<u>(944)</u>	<u>365</u>
Balance at December 31	<u>7,987</u>	<u>8,931</u>
Carrying amounts at December 31	<u>\$ 528,950</u>	<u>\$ 478,118</u>

For related information on business combinations, please refer to Note 32.

### Assessment of Goodwill Impairment

The goodwill acquired through business combinations by the Group included Yongan Sports Technology Co., Ltd. (the company had completed cancellation after a short-form merger with the Corporation on January 1, 2018), Dongguan Dayu Sports Equipment Co., Ltd. (the company had completed liquidation and cancellation in November 2019), Shelton Corporation (Jiaxing), Ltd., CARDIOfitness GmbH & Co. KG, Dyaco Canada Inc, Fitness Equipment Services, LLC, CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd.

When assessing the impairment, the Group distinguishes the minimum identifiable asset from cash inflow. The Corporation and other investments in subsidiaries except for CARDIOfitness GmbH & CO.KG are recognized as a cash generating unit (Group A) and CARDIOfitness GmbH & CO.KG is recognized independently as a cash generating unit (Group B).

On December 31, 2021 and 2020, the management assessed the recoverable amount by value in use of asset's cash-generating unit, and considered financial budget in the future as reference of cash flows. The key assumptions which affected an assessment of the Group's recoverable amount and the methods to determine assumed key values are described as follows:

a. Increased rate of main business revenue:

Based on the actual sales situation in the past year, the operating income growth rate of each sales region is considered, and the Corporation's future operating strategy and future market development status are used as the basis for estimating future operating income.

b. Expected gross profit margin:

It is calculated by taking into consideration the average rate of gross profit from sales actually achieved in the past year, and the Corporation's future operating strategy and future market development status as the basis for estimating the expected rate of gross profit from sales.

c. Discount rates

Based on the discounted weighted average capital cost rate (WACC), the discount rate used in the calculation is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Group A	11.9%	11.3%
Group B	13.0%	13.2%

The Corporation evaluated Group A and B in 2021 and 2020, its recoverable amount was still higher than the related carrying amount, and thus, no impairment loss was recognized.

## 19. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Patents</b>	<b>Customer Relationship</b>	<b>Existing Technologies</b>	<b>Royalty</b>	<b>Brand Value</b>	<b>Website</b>	<b>Total</b>
<u>Cost</u>								
Balance at January 1, 2021	\$ 87,427	\$ 84,192	\$ 97,402	\$ 7,685	\$ 214,021	\$ 649,344	\$ 1,025	\$ 1,141,096
Additions	7,558	-	-	-	75,385	-	-	82,943
Disposals	(6,960)	-	-	-	-	-	-	(6,960)
Effects of foreign currency exchange differences	(1,301)	(6,087)	(3,064)	-	(1,247)	(18,240)	(29)	(29,968)
Balance at December 31, 2021	<u>86,724</u>	<u>78,105</u>	<u>94,338</u>	<u>7,685</u>	<u>288,159</u>	<u>631,104</u>	<u>996</u>	<u>1,187,111</u>
<u>Accumulated amortization</u>								
Balance at January 1, 2021	65,490	60,602	73,267	7,685	141,511	31,749	240	380,544
Amortization expenses	9,432	7,563	1,695	-	32,501	29,863	271	81,325
Disposals	(6,843)	-	-	-	-	-	-	(6,843)
Effect of foreign currency exchange differences	(1,122)	(4,423)	(2,406)	-	(1,182)	(1,243)	(10)	(10,386)
Balance at December 31, 2021	<u>66,957</u>	<u>63,742</u>	<u>72,556</u>	<u>7,685</u>	<u>172,830</u>	<u>60,369</u>	<u>501</u>	<u>444,640</u>
Carrying amounts at December 31, 2021	<u>\$ 19,767</u>	<u>\$ 14,363</u>	<u>\$ 21,782</u>	<u>\$ -</u>	<u>\$ 115,329</u>	<u>\$ 570,735</u>	<u>\$ 495</u>	<u>\$ 742,471</u>

(Continued)

	Computer Software	Patents	Customer Relationship	Existing Technologies	Royalty	Brand Value	Website	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 81,261	\$ 83,665	\$ 73,825	\$ 75,924	\$ 292,000	\$ -	\$ -	\$ 606,675
Acquisitions through business combinations (Note 32)	-	-	27,112	-	-	686,846	1,084	715,042
Additions	6,773	-	-	-	10,018	-	-	16,791
Disposals	(995)	-	-	(67,874)	(84,606)	-	-	(153,475)
Effects of foreign currency exchange differences	388	527	(3,535)	(365)	(3,391)	(37,502)	(59)	(43,937)
Balance at December 31, 2020	<u>87,427</u>	<u>84,192</u>	<u>97,402</u>	<u>7,685</u>	<u>214,021</u>	<u>649,344</u>	<u>1,025</u>	<u>1,141,096</u>
<u>Accumulated amortization</u>								
Balance at January 1, 2020	54,903	52,798	73,825	75,924	115,387	-	-	372,837
Amortization expenses	11,251	7,719	1,553	-	70,685	32,941	249	124,398
Disposals	(995)	-	-	(67,874)	(42,303)	-	-	(111,172)
Effect of foreign currency exchange differences	331	85	(2,111)	(365)	(2,258)	(1,192)	(9)	(5,519)
Balance at December 31, 2020	<u>65,490</u>	<u>60,602</u>	<u>73,267</u>	<u>7,685</u>	<u>141,511</u>	<u>31,749</u>	<u>240</u>	<u>380,544</u>
Carrying amounts at December 31, 2020	<u>\$ 21,937</u>	<u>\$ 23,590</u>	<u>\$ 24,135</u>	<u>\$ -</u>	<u>\$ 72,510</u>	<u>\$ 617,595</u>	<u>\$ 785</u>	<u>\$ 760,552</u>

(Concluded)

- a. The Group signed royalty agreements of authorization with several foreign well-known sports brands to manufacture and sell products. The discounted cost was recognized as royalty and included in intangible assets at the beginning of authorization period, and the related liability was recorded as current and non-current payables for royalties. The interest expenses were calculated by the effective interest method. During 2020, the Group terminated a royalty agreement before expiration with sports brands to manufacture and sell products, and derecognized the royalty in intangible assets of net NT\$42,303 thousand and long-term payable as well as current portion of long-term payable of NT\$61,263 thousand, respectively. And gain on disposal of intangible assets amounted to NT\$18,960 thousand was recognized.
- b. Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-13 years
Patents	5-15 years
Customer relationship	7-16 years
Existing technologies	3-5 years
Royalty	2-6 years
Brand value	23 years
Website	4 years

## 20. BORROWINGS

- a. Short-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured borrowings	\$ 1,837,515	\$ 421,659
Secured borrowings	<u>1,028,560</u>	<u>1,152,122</u>
	<u>\$ 2,866,075</u>	<u>\$ 1,573,781</u>
Range of interest rates		
Unsecured borrowings	0.98%-4.35%	0.68%-4.78%
Secured borrowings	0.85%-5.84%	1.15%-4.45%

b. Long-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Secured borrowings</u>		
Mega Bank	\$ 281,500	\$ 382,900
Taishin Bank	172,500	187,500
Taiwan Cooperative Bank	170,401	179,267
Bank SinoPac	113,427	134,068
Bank of Montreal	36,627	39,772
Chang Hua Bank	<u>15,972</u>	<u>27,043</u>
	790,427	950,550
Less: Current portion	<u>232,812</u>	<u>159,929</u>
Long-term borrowings	<u>\$ 557,615</u>	<u>\$ 790,621</u>

- 1) Secured borrowings from Mega Bank: In 2007, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2007 to December 2022. As of December 31, 2021 and 2020, the borrowings were \$10,200 thousand and \$20,400 thousand, respectively, at the annual borrowing interest rate of 1.38%. In September 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to September 2024. As of December 31, 2021 and 2020, the borrowings were \$143,900 thousand and \$195,500 thousand, respectively, at the annual borrowing interest rate was 1.40%. In February 2020, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to February 2025. As of December 31, 2021 and 2020, the borrowings were \$127,400 thousand and \$167,000 thousand, respectively, at the annual borrowing interest rate of 1.45%.
- 2) Secured borrowings from Taishin Bank: In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2034. As of December 31, 2021 and 2020, the borrowings were \$150,000 thousand and \$156,000 thousand, respectively, at annual interest rate of 1.23%. In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2024. As of December 31, 2021 and 2020, the borrowings were \$22,500 thousand and \$31,500 thousand, respectively, at annual interest rate of 1.23%.
- 3) Secured borrowings from Taiwan Cooperative Bank: In November 2018, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2020 to November 2038 after two years of interest payments. As of December 31, 2021 and 2020, the annual interest rate was 1.40%.
- 4) Secured borrowings from Bank SinoPac: In 2009, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from September 2009 to September 2024. As of December 31, 2021 and 2020, the borrowings were \$25,385 thousand and \$33,846 thousand, respectively, at annual interest rate of 1.44%. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2022. As of December 31, 2021 and 2020, the borrowings were \$81,745 thousand and \$90,913 thousand, respectively, at annual interest rate of 1.26%. In 2016, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from October 2016 to October 2023. As of December 31, 2021 and 2020, the borrowings were \$6,297 thousand and \$9,309 thousand, respectively, at annual interest rate of 1.33%.

- 5) Secured borrowings from Bank of Montreal: In 2016, Dyaco Canada Inc. signed a contract for borrowings, under which the principal and interest are repayable monthly from May 2016 to April 2023. As of December 31, 2021 and 2020, the annual borrowing interest rate was 4.07%.
- 6) Secured borrowings from Chang Hua Bank: In May 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to May 2023. As of December 31, 2021 and 2020, the annual borrowing interest rate was 1.50%.

## 21. BONDS PAYABLE

	December 31	
	2021	2020
Secured domestic convertible bonds	\$ 417,656	\$ 462,372
Unsecured domestic convertible bonds	<u>961,780</u>	<u>-</u>
	<u>\$ 1,379,436</u>	<u>\$ 462,372</u>

- a. On August 24, 2020, the Corporation issued 0% three-year secured domestic convertible bonds at 100.5% of face value of \$600,000 thousand for the second time, with maturity date of August 24, 2023, totaling \$603,000 thousand. The convertible bonds are guaranteed by Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$89.9. Conversion may occur at any time between November 25, 2020 and August 24, 2023.

According to restrictions for second-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from November 25, 2020 to July 15, 2023, if the closing price of ordinary shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

During 2021, the amount of convertible bonds of NT\$49,800 thousand was reclassified to share capital at NT\$5,539 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$1,051 thousand and NT\$1,099 thousand, respectively. The capital surplus - options of NT\$44,213 thousand was recognized on the conversion date.

Proceeds from issuance (less transaction costs of \$8,352 thousand)	\$ 594,648
Equity component (less transaction costs allocated to the equity component of \$178 thousand)	(12,666)
Financial assets at fair value through profit or loss - call options	<u>1,487</u>
Liability component at the date of issue	583,469
Interest charged at an effective interest rate of 0.93%	1,936
Convertible bonds converted into ordinary shares	<u>(123,033)</u>
Liability component at December 31, 2020	462,372
Interest charged at an effective interest rate of 0.93%	3,985
Convertible bonds converted into ordinary shares	<u>(48,701)</u>
Liability component at December 31, 2021	<u>\$ 417,656</u>

Financial assets at fair value through profit or loss - call options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options was \$2,564 thousand for the year ended December 31, 2021.

- b. On June 28, 2021, the Corporation issued 0% three-year unsecured domestic convertible bonds at 100.0% of face value of \$1,000,000 thousand for the third time, with maturity date of June 28, 2024, totaling \$1,000,000 thousand, and the trustee is Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$100.6. Conversion may occur at any time between September 29, 2021 and June 28, 2024.

According to restrictions for third-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from September 29, 2021 to May 19 2024, if the closing price of ordinary shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The record date that the holder is entitled to sell back the convertible bond in advance is June 28, 2024. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 40-day prior written notice. The Corporation will redeem the convertible bonds based on the face value and accrued interests. The redemption amount of the bonds which have been held for full two years is 101.0% of face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.57% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,406 thousand)	\$ 994,594
Equity component (less transaction costs allocated to the equity component of \$212 thousand)	(38,988)
Financial liabilities held for trading - call and put options	<u>(1,492)</u>
Liability component at the date of issue	954,114
Interest charged at an effective interest rate of 1.57%	<u>7,666</u>
Liability component at December 31, 2021	<u>\$ 961,780</u>

Financial assets at fair value through profit or loss - call and put options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options was \$11,900 thousand for the year ended December 31, 2021.

## 22. NOTES PAYABLE AND ACCOUNTS PAYABLE

- a. Notes payable

The Group issues notes payable for payment and business expenditure.

- b. Accounts payable

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 23. OTHER PAYABLES AND LONG-TERM PAYABLES

	December 31	
	2021	2020
<u>Current</u>		
Payables for freight	\$ 143,261	\$ 324,203
Payables for advertisements	83,127	138,272
Payables for salaries and bonuses	77,564	107,474
Payables for investments (Notes 32 and 33)	58,475	113,874
Payables for employee benefits	44,227	44,563
Payables for value added taxes	31,797	46,161
Payables for royalties (Note 19)	21,245	77,592
Payables for labor costs	16,660	32,207
Payables for insurance	14,019	12,044
Payables for annual leave	7,731	11,177
Payables for commissions	6,103	7,038
Payables for employees' compensation	5,734	16,236
Payables for purchases of equipment	3,873	4,788
Payables for remuneration of directors	2,000	5,055
Others	<u>134,722</u>	<u>135,039</u>
	<u>\$ 650,538</u>	<u>\$ 1,075,723</u>
<u>Non-current</u>		
Payables for royalties (Note 19)	<u>\$ 107,094</u>	<u>\$ 25,878</u>

## 24. PROVISIONS

	December 31	
	2021	2020
Warranties	<u>\$ 19,343</u>	<u>\$ 18,359</u>
		<b>Warranties</b>
Balance at January 1, 2020		\$ 15,835
Amount used		(65,572)
Additional provisions recognized		68,569
Effect of foreign currency exchange differences		<u>(473)</u>
Balance at December 31, 2020		<u>\$ 18,359</u>
Balance at January 1, 2021		\$ 18,359
Acquisition through business combinations		3,082
Amount used		(100,725)
Additional provisions recognized		99,056
Effect of foreign currency exchange differences		<u>(429)</u>
Balance at December 31, 2021		<u>\$ 19,343</u>

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation, Daan Health Management Consulting Co., Ltd., Wing Long Co., Ltd. and President Plastic Products Mfg. Co., Ltd. and Cikayda Inc. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation, Daan Health Management Consulting Co., Ltd., Wing Long Co., Ltd. and President Plastic Products Mfg. Co., Ltd. make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in the US, China, Germany, UK, Japan and Thailand are members of a state-managed retirement benefit plan operated by the local government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Dyaco International Holding Limited and Fuel-Spirit International Inc. do not have pension plan.

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. However, the pension funded by the Corporation in accordance with the Labor Standards Law was sufficient. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 30,230	\$ 30,794
Fair value of plan assets	<u>(10,946)</u>	<u>(10,395)</u>
Deficit	<u>19,284</u>	<u>20,399</u>
Net defined benefit liabilities	<u>\$ 19,284</u>	<u>\$ 20,399</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2020	<u>\$ 29,207</u>	<u>\$ (9,644)</u>	<u>\$ 19,563</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>217</u>	<u>(71)</u>	<u>146</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(312)	(312)
Actuarial loss - changes in financial assumptions	1,357	-	1,357
Actuarial loss - changes in demographic assumptions	30	-	30
Actuarial gain - experience adjustments	<u>(17)</u>	<u>-</u>	<u>(17)</u>
Recognized in other comprehensive income	<u>1,370</u>	<u>(312)</u>	<u>1,058</u>
Contributions from employer	<u>-</u>	<u>(368)</u>	<u>(368)</u>
Balance at December 31, 2020	<u>\$ 30,794</u>	<u>\$ (10,395)</u>	<u>\$ 20,399</u>
Balance at January 1, 2021	<u>\$ 30,794</u>	<u>\$ (10,395)</u>	<u>\$ 20,399</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>90</u>	<u>(30)</u>	<u>60</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(154)	(154)
Actuarial gain - changes in financial assumptions	(1,142)	-	(1,142)
Actuarial loss - changes in demographic assumptions	50	-	50
Actuarial loss - experience adjustments	<u>438</u>	<u>-</u>	<u>438</u>
Recognized in other comprehensive income	<u>(654)</u>	<u>(154)</u>	<u>(808)</u>
Contributions from employer	<u>-</u>	<u>(367)</u>	<u>(367)</u>
Balance at December 31, 2021	<u>\$ 30,230</u>	<u>\$ (10,946)</u>	<u>\$ 19,284</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 18	\$ 42
Selling and marketing expenses	7	12
General and administrative expenses	20	50
Research and development expenses	<u>15</u>	<u>42</u>
	<u>\$ 60</u>	<u>\$ 146</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.70%	0.30%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	\$ (688)	\$ (767)
0.25% decrease	\$ 714	\$ 796
Expected rate(s) of salary increase		
0.25% increase	\$ 703	\$ 781
0.25% decrease	\$ (681)	\$ (756)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	\$ 367	\$ 505
Average duration of the defined benefit obligation	9 years	10 years

## 26. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	200,000	200,000
Share capital authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	133,982	131,149
Ordinary shares issued	\$ 1,339,822	\$ 1,311,496

A holder of issued ordinary shares with par value of \$10 is entitled to vote and to receive dividends.

The Corporation's board of directors resolved to increase cash capital on September 17, 2019 through issuance of 19,000,000 shares, which was approved by the Financial Supervisory Commission on October 28, 2019 in accordance with Rule No. 1080333602. The base date of capital increase was January 13, 2020. The issued price is \$39 and paid-up capital is \$741,000 thousand.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 1,325,152	\$ 1,269,348
Conversion of bonds	613,057	568,844
Treasury share transaction	117,644	37,685
<u>May only be used to offset a deficit</u>		
Conversion of employee share options	1,460	1,460
Gain on disgorgement	140	-
<u>May not be used for any purpose</u>		
Conversion of bonds	47,941	10,004
Employee share options	4,869	94,878
Employee share options in subsidiaries	5,662	3,786
	<u>\$ 2,115,925</u>	<u>\$ 1,986,005</u>

The capital surplus generated from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

The balance adjustment in capital surplus for the years ended December 31 in 2021 and 2020 was as follows:

	Issuance of Ordinary Shares	Convertible Bond Premium	Treasury Shares Transaction	Conversion of Employee Share Options	Enforce Disgorgement	Conversion of Bond-options	Employee Share Options	Employee Share Options in Subsidiaries
Balance at January 1, 2021	\$ 1,269,348	\$ 568,844	\$ 37,685	\$ 1,460	\$ -	\$ 10,004	\$ 94,878	\$ 3,786
Convertible bond premium	-	44,213	-	-	-	(1,051)	-	-
Exercise of employee share options	55,804	-	-	-	-	-	(31,371)	-
Compensation costs of employee share options (Remark)	-	-	-	-	-	-	34,379	1,876
Treasury shares transferred to employees	-	-	79,959	-	-	-	(93,017)	-
Issuance of convertible bonds	-	-	-	-	-	38,988	-	-
Gain on disgorgement	-	-	-	-	140	-	-	-
Balance at December 31, 2021	<u>\$ 1,325,152</u>	<u>\$ 613,057</u>	<u>\$ 117,644</u>	<u>\$ 1,460</u>	<u>\$ 140</u>	<u>\$ 47,941</u>	<u>\$ 4,869</u>	<u>\$ 5,662</u>
Balance at January 1, 2020	\$ 704,409	\$ 1,147	\$ -	\$ 1,460	\$ -	\$ 15,762	\$ 32,298	\$ 3,228
Increase cash capital	548,745	-	-	-	-	-	-	-
Convertible bond premium	-	567,697	-	-	-	(18,424)	-	-
Exercise of employee share options	16,194	-	-	-	-	-	(4,119)	-
Compensation costs of employee share options (Remark)	-	-	-	-	-	-	109,556	558
Treasury shares transferred to employees	-	-	37,685	-	-	-	(42,857)	-
Issuance of convertible bonds	-	-	-	-	-	12,666	-	-
Balance at December 31, 2020	<u>\$ 1,269,348</u>	<u>\$ 568,844</u>	<u>\$ 37,685</u>	<u>\$ 1,460</u>	<u>\$ -</u>	<u>\$ 10,004</u>	<u>\$ 94,878</u>	<u>\$ 3,786</u>

Note: On August 11, 2021, December 25, 2020 and June 29, 2020, the Corporation's board of directors resolved to transfer treasury shares to employees. In accordance with the actuarial report, compensation costs recognized by the Corporation were \$31,337 thousand, \$61,680 thousand and \$42,857 thousand, respectively. For the years ended December 31, 2021 and 2020, the compensation costs of employees' shares recognized were \$4,918 thousand and \$5,577 thousand, respectively.

#### c. Retained earnings and dividend policy

The Corporation has resolved the amended Articles on May 30, 2019, which authorize special resolution the board of directors to distribute the dividends and bonuses, or all or part of the legal reserve and capital surplus in cash and reported to the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings from previous years shall be used by the Corporation's board of directors as the basis for proposing a distribution plan of new issued shares which should be resolved in the shareholders' meeting for the distribution. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 28-d.

The Corporation considered overall business environment, industrial growth, undistributed retained earnings, capital surplus, financial structure, and operating condition for the distribution of earnings in order to maintain stable development and secure equity of investors. The appropriations of earnings should be higher than ten percent of undistributed retained earnings. If the undistributed retained earnings are less than one percent of the paid-in capital, then the earnings shall be transferred to retained earnings and not distributed to shareholders. The Corporation is entitled to distribute bonuses in shares or in cash; cash bonus should not be less than ten percent of total bonuses. If cash bonus will be less than \$1 per share, then the Corporation shall distribute all bonuses in shares.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 132,026	\$ 18,941		
Special reserve	69,816	26,689		
Cash dividends	953,027	124,321	\$ 7.50	\$ 1.15

The above 2020 and 2019 appropriation for cash dividends had been resolved by the Corporation's board of directors on March 30, 2021 and March 27, 2020, respectively; the other proposed appropriations had been resolved by the shareholders in their meetings on August 27, 2021 and May 28, 2020, respectively.

The appropriation of earnings for 2021 had been proposed by the Corporation's board of directors on March 31, 2022. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 44,149	
Special reserve	62,459	
Cash dividends	317,502	\$2.50

The above appropriation for cash dividends has been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 27, 2022.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

The exchange differences on translating the net assets of foreign operations from its functional currency to the Group's presentation currency (NTD) are recognized as exchange differences on translating the financial statements of foreign operations under other comprehensive income.

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,840	\$ 3,893
Recognized for the year		
Unrealized loss on equity instruments	<u>(5,200)</u>	<u>(1,053)</u>
Balance at December 31	<u>\$ (2,360)</u>	<u>\$ 2,840</u>

e. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2020	4,000
Increase during the year	4,565
Decrease during the year	<u>(1,443)</u>
Number of shares at December 31, 2020	<u>7,122</u>
Number of shares at January 1, 2021	7,122
Increase during the year	2,488
Decrease during the year	<u>(1,597)</u>
Number of shares at December 31, 2021	<u>8,013</u>

On February 21, 2020, the Corporation's board of directors resolved to redeem 3,000 thousand shares at \$30 to \$50 per share from February 24, 2020 to April 23, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has redeemed 3,000 thousand shares, with total cost of \$104,927 thousand.

On March 20, 2020, the Corporation's board of directors resolved to redeem 4,500 thousand shares at \$25 to \$45 per share from March 23, 2020 to May 19, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 1,565 thousand shares, with total cost of \$50,623 thousand.

On September 29, 2021, the Corporation's board of directors resolved to redeem 4,000 thousand shares at \$45 to \$90 per share from September 30, 2021 to November 29, 2021. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 2,488 thousand shares, with total cost of \$157,086 thousand.

On August 11, 2021, December 25, 2020 and June 29, 2020, the Corporation's board of directors resolved to transfer 849 thousand, 748 thousand and 1,443 thousand shares of treasury shares to employees, respectively. For related information on employees' exercise of the treasury share options, refer to Note 31.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 356,686	\$ 350,172
Non-controlling interests arising from acquisition of subsidiaries (see Note 32)	23,496	-
Adjustments relating to changes in capital surplus of granting share options to employees of subsidiaries	385	-
Profit (loss) for the period attributable to non-controlling interests	3,342	(3,053)
Exchange differences on translation of the financial statements of foreign operations	<u>(1,320)</u>	<u>9,567</u>
Balance at December 31	<u>\$ 382,589</u>	<u>\$ 356,686</u>

## 27. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Sporting goods	\$ 10,715,950	\$ 12,650,605
Furniture	1,015,807	444,705
Other revenue	<u>10,324</u>	<u>28,446</u>
	<u>\$ 11,742,081</u>	<u>\$ 13,123,756</u>

a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable (Note 10)	<u>\$ 1,490</u>	<u>\$ 2,020</u>	<u>\$ 1,501</u>
Accounts receivable (Note 10)	<u>\$ 1,647,028</u>	<u>\$ 3,050,265</u>	<u>\$ 1,009,492</u>
Contract liabilities			
Sale of goods	<u>\$ 21,470</u>	<u>\$ 74,531</u>	<u>\$ 7,901</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 74,531</u>	<u>\$ 7,901</u>

b. Disaggregation of revenue

Refer to Note 43 for information about the disaggregation of revenue.

c. Partially completed contracts

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Sale of goods		
From January 2021 to December 2021	\$ -	\$ 74,531
From January 2022 to December 2022	<u>21,470</u>	<u>-</u>
	<u>\$ 21,470</u>	<u>\$ 74,531</u>

## 28. NET PROFIT

a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 169,418	\$ 162,924
Intangible assets	81,325	124,398
Right-of-use assets	29,822	33,052
Investment properties	<u>3,309</u>	<u>3,276</u>
	<u>\$ 283,874</u>	<u>\$ 323,650</u>
An analysis of depreciation by function		
Operating costs	\$ 98,622	\$ 99,625
Operating expenses	100,618	96,351
Other operating income and expenses	<u>3,309</u>	<u>3,276</u>
	<u>\$ 202,549</u>	<u>\$ 199,252</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>81,325</u>	<u>124,398</u>
	<u>\$ 81,325</u>	<u>\$ 124,398</u>

b. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain (loss) on disposal of intangible assets (Note 19)	\$ (117)	\$ 18,960
Impairment loss recognized on prepayments for goods	-	(5,567)
Loss on disposal of property, plant and equipment	(2,723)	(213)
Loss on lease modification	<u>-</u>	<u>(16)</u>
	<u>\$ (2,840)</u>	<u>\$ 13,164</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (Note 25)		
Defined contribution plan	\$ 28,804	\$ 35,718
Defined benefit plans	<u>60</u>	<u>146</u>
	<u>28,864</u>	<u>35,864</u>
Employees' compensation	939,162	1,048,454
Labor and national health insurance expenses	76,256	62,182
Other employee benefits	<u>34,088</u>	<u>33,238</u>
	<u>1,049,506</u>	<u>1,143,874</u>
 Total employee benefits expense	 <u>\$ 1,078,370</u>	 <u>\$ 1,179,738</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 397,206	\$ 433,940
Operating expenses	<u>681,164</u>	<u>745,798</u>
	<u>\$ 1,078,370</u>	<u>\$ 1,179,738</u>

d. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which had been approved by the Corporation's board of directors on March 31, 2022 and March 30, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	1.00%	1.00%
Remuneration of directors	0.36%	0.31%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 5,518	\$ 16,236
Remuneration of directors	2,000	5,055

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 106,298	\$ 114,163
Foreign exchange losses	<u>(291,769)</u>	<u>(308,723)</u>
Net losses	<u>\$ (185,471)</u>	<u>\$ (194,560)</u>

f. Interest expenses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 55,300	\$ 47,382
Interest on convertible bonds	11,651	6,916
Interest on lease liabilities	<u>1,558</u>	<u>1,818</u>
	<u>\$ 68,509</u>	<u>\$ 56,116</u>

## 29. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 176,619	\$ 468,486
Income tax on unappropriated earnings	-	85
Adjustments for prior periods	<u>(5,697)</u>	<u>(5,185)</u>
	170,922	463,386
Deferred tax	<u>(65,966)</u>	<u>(126,538)</u>
Income tax expense recognized in profit or loss	<u>\$ 104,956</u>	<u>\$ 336,848</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax	\$ 549,146	\$ 1,654,904
Income tax expense calculated at the statutory rate	\$ 109,829	\$ 330,981
Nondeductible expenses in determining taxable income	4,308	1,776
Investment credit	(12,116)	(14,322)
Income tax on unappropriated earnings	-	85
Unrealized loss carryforwards	628	285
Realized/unrealized deductible temporary differences	14,701	(1,590)
Effect of different tax rate of entities in the Group operating in other jurisdictions	(6,697)	24,818
Adjustments for prior years' tax	<u>(5,697)</u>	<u>(5,185)</u>
Income tax expense recognized in profit or loss	\$ 104,956	\$ 336,848

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plan	\$ (162)	\$ 212

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	\$ 35,596	\$ 17,980
Current tax liabilities		
Income tax payable	\$ 27,907	\$ 401,093

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 131,991	\$ (1,384)	\$ -	\$ 130,607
Investment loss recognized under the equity method	93,397	66,498	-	159,895
Write-down of inventories	33,439	(8,919)	-	24,520
Employee benefits	11,141	(84)	-	11,057
Allowance for impairment loss	20,946	1,545	-	22,491
Provisions	4,774	15	-	4,789
Defined benefit obligations	4,122	(44)	(162)	3,916
Payables for annual leave	2,612	(619)	-	1,993
Unrealized foreign exchange loss, net	23,581	(7,578)	-	16,003
Unrealized financial assets valuation loss	116	2,874	-	2,990
Property, plant and equipment	<u>2,045</u>	<u>(584)</u>	<u>-</u>	<u>1,461</u>
	328,164	51,720	(162)	379,722
Tax losses	<u>2,074</u>	<u>1,340</u>	<u>-</u>	<u>3,414</u>
	<u>\$ 330,238</u>	<u>\$ 53,060</u>	<u>\$ (162)</u>	<u>\$ 383,136</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Property, plant and equipment	\$ 140,004	\$ (5,580)	\$ -	\$ 134,424
Investment gain recognized under the equity method	109,189	4,167	-	113,356
Intangible assets	173,962	(15,637)	-	158,325
Timing difference in sales	2,952	(655)	-	2,297
Unrealized foreign exchange gain, net	<u>699</u>	<u>(699)</u>	<u>-</u>	<u>-</u>
	<u>\$ 426,806</u>	<u>\$ (18,404)</u>	<u>\$ -</u>	<u>\$ 408,402</u>

For the year ended December 31, 2020

	Opening Balance	Acquisitions Through Business Combinations (Note 32)	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Deferred revenue	\$ 18,171	\$ -	\$ 113,820	\$ -	\$ 131,991
Investment loss recognized under the equity method	86,211	-	7,186	-	93,397
Write-down of inventories	30,602	-	2,837	-	33,439
Employee benefits	7,426	-	3,715	-	11,141
Allowance for impairment loss	18,882	-	2,064	-	20,946
Provisions	4,101	-	673	-	4,774
Defined benefit obligations	3,944	-	(34)	212	4,122
Payables for annual leave	2,609	-	3	-	2,612
Unrealized foreign exchange loss, net	7,328	-	16,253	-	23,581
Unrealized financial assets valuation loss	-	-	116	-	116
Property, plant and equipment	834	-	1,211	-	2,045
	180,108	-	147,844	212	328,164
Tax losses	1,068	-	1,006	-	2,074
	<u>\$ 181,176</u>	<u>\$ -</u>	<u>\$ 148,850</u>	<u>\$ 212</u>	<u>\$ 330,238</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Property, plant and equipment	\$ 142,184	\$ -	\$ (2,180)	\$ -	\$ 140,004
Investment gain recognized under the equity method	73,037	-	36,152	-	109,189
Intangible assets	7,934	185,540	(19,512)	-	173,962
Timing difference in sales	3,016	-	(64)	-	2,952
Unrealized foreign exchange gain, net	176	-	523	-	699
Unrealized financial instrument gain, net	140	-	(140)	-	-
	<u>\$ 226,487</u>	<u>\$ 185,540</u>	<u>\$ 14,779</u>	<u>\$ -</u>	<u>\$ 426,806</u>

e. Income tax assessments

The income tax returns of the Corporation and President Plastic Products MFG Co., Ltd. through 2019 have been assessed by the tax authorities.

The income tax returns of subsidiaries, Wing Long Co., Ltd. and Daan Health Management Consulting Co., Ltd., through 2020 have been assessed by the tax authorities.

### 30. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the period is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the year attributable to owners of the Corporation	\$ 440,848	\$ 1,321,109
Earnings used in the computation of basic earnings per share	\$ 440,848	\$ 1,321,109
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax) and gain on financial assets at FVTPL	20,893	4,647
Earnings used in the computation of diluted earnings per share	\$ 461,741	\$ 1,325,756

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	126,743	113,033
Effect of potentially dilutive ordinary shares		
Compensation of employees	133	155
Convertible bonds	10,649	1,874
Employee share options	2,033	1,485
Weighted average number of ordinary shares used in the computation of diluted earnings per share	139,558	116,547

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

### 31. SHARE-BASED PAYMENT ARRANGEMENTS

#### a. Employee share options

Qualified employees of the Corporation and its subsidiaries were granted 4,000 options in December 2017. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 6 years and exercisable at the following schedule after the second anniversary from the grant date.

- 1) The options are exercisable at fifty percent after the second anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the third anniversary from the grant date.
- 3) The options are fully exercisable after the fourth anniversary from the grant date.

The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares at the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
<b>Employee Share Options</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted-average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted-average Exercise Price (\$)</b>
Balance at January 1	3,600	\$ 40.10	4,000	\$ 40.45
Options exercised	<u>(816)</u>	39.94	<u>(400)</u>	40.45
Balance at December 31	<u>2,784</u>		<u>3,600</u>	
Options exercisable, end of period	<u>2,784</u>		<u>2,600</u>	

As of the balance sheet date, outstanding options were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Range of exercise price (\$)	\$ 36.9	\$ 40.1
Weighted-average remaining contractual life (in years)	2 years	3 years

Options granted in December 2017 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>December 2017</b>
Grant-date share price	\$42.95
Exercise price	\$42.95
Expected volatility	28.17%
Expected life (in years)	4-5 years
Expected dividend yield	-
Risk-free interest rate	0.63%-0.71%

Expected volatility was based on the annualized standard deviation of daily returns of the Corporation's historical share price over the expected life of the employee share options.

For the year ended December 31, 2021, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$31,371 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$24,433 thousand was recognized on the conversion date.

For the year ended December 31, 2020, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$4,119 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$12,075 thousand was recognized on the conversion date.

Compensation costs recognized by the Corporation and its subsidiaries were \$3,042 thousand and \$338 thousand for the year ended December 31, 2021, respectively.

Compensation costs recognized by the Corporation and its subsidiaries were \$5,019 thousand and \$558 thousand for the year ended December 31, 2020, respectively.

b. Treasury shares transferred to employees

1) The first treasury shares transferred to employees

Qualified employees of the Group were granted 1,443 thousand treasury share options on July 3, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

	For the Year Ended December 31, 2020	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
<b>Employee Share Options</b>		
Balance at January 1	-	\$ -
Options granted	1,443	34.80
Options exercised	<u>(1,443)</u>	34.80
Balance at December 31	<u>-</u>	
Options exercisable, end of period	<u>-</u>	

The base date of employee share options was July 3, 2020. Employees exercised the treasury share options from July 3 to July 17, 2020.

Options granted in July 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	July 2020
Grant-date share price	\$64.50
Exercise price	\$34.80
Expected volatility	41.81%
Expected life (in days)	15 days
Risk-free interest rate	0.29%
Weighted-average fair value of options granted	\$34.80

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation cost recognized by the Group was \$42,857 thousand for the year ended December 31, 2020.

For the year ended December 31, 2020, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of \$42,857 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$37,685 thousand.

2) The second treasury shares transferred to employees

Qualified employees of the Group were granted 748 thousand treasury share options on December 25, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

	For the Year Ended December 31			
	2021		2020	
Employee Share Options	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
Balance at January 1	748	\$ 30.54	-	\$ -
Options granted	-	-	748	30.54
Options operated	<u>(748)</u>	30.54	<u>-</u>	-
Balance at December 31	<u>-</u>		<u>748</u>	
Options exercisable, end of period	<u>-</u>		<u>748</u>	

The base date of employee share options was January 15, 2021. Employees exercised the treasury share options from January 13 to January 15, 2021.

Options granted in December 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	December 2020
Grant-date share price	\$113.00
Exercise price	\$30.54
Expected volatility	61.05%
Expected life (in days)	24 days
Risk-free interest rate	0.18%
Weighted-average fair value of options granted	\$82.46

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation cost recognized by the Group was \$61,680 thousand for the year ended December 31, 2020.

For the year ended December 31, 2021, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of NT\$61,680 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$5,858 thousand.

3) The third treasury shares transferred to employees

Qualified employees of the Group were granted 849 thousand treasury share options on August 11, 2021. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

	<b>For the Year Ended December 31, 2021</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
<b>Employee Share Options</b>		
Options granted	849	\$ 29.89
Options operated	<u>(849)</u>	<u>29.89</u>
Balance at December 31	<u><u>-</u></u>	
Options exercisable, end of period	<u><u>-</u></u>	

The base date of employee share options was August 23, 2021. Employees exercised the treasury share options from August 17 to August 23, 2021.

Options granted in August 2021 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>August 2021</b>
Grant-date share price	\$66.80
Exercise price	\$29.89
Expected volatility	45.11%
Expected life (in days)	7 days
Risk-free interest rate	0.10%
Weighted-average fair value of options granted	\$36.91

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

For the year ended December 31, 2021, the compensation cost recognized by the Group was \$31,337 thousand.

For the year ended December 31, 2021, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of NT\$31,337 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$7,200 thousand.

c. Granting treasury share options to employees of subsidiaries

In the board meeting on March 9, 2022, the Corporation approved the granting of 2,000 options to employees of indirectly held subsidiaries; the duration is set to retroactively expire after 4 years from the issuance date of November 30, 2021 when the employees begin their employments. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 1 years and exercisable at the following schedule after the second anniversary from the grant date.

- 1) The options are exercisable at fifty percent after the first anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the second anniversary from the grant date.
- 3) The options are fully exercisable after the third anniversary from the grant date.

Note: According to the above schedule, seventy five percent of every subscription should be lock-up for six months, rest of them are no restriction.

According to the regulations on the transfer of treasury shares of the Corporation, if there is an increase in the issued ordinary shares before the transfer, the execution price may be adjusted according to the ratio of the increase in the issued shares.

Above options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>Lock-up for Six Months</b>	<b>No Lock-up</b>
Grant-date share price	\$40.11	\$44.00
Exercise price	\$30.05	\$30.05
Expected volatility	39.53%-46.21%	39.53%-46.21%
Expected life (in years)	2.23-3.23 years	2.23-3.23 years
Expected dividend yield	-	-
Risk-free interest rate	0.44%-0.51%	0.44%-0.51%

Expected volatility is based on the Corporation's rate of return on historical daily share price during the expected duration of the treasury share option, and then annualized standard deviation is calculated.

Compensation cost recognized by the subsidiaries was \$1,538 thousand for the year ended December 31, 2021.

## 32. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Fitness Equipment Services, LLC.	Sporting goods retail	February 1, 2020	100	\$ 948,251
CITY SPORTS (THAILAND) CO., LTD	Fitness goods retail	November 1, 2021	44	12,450
Neutron Ventures Ltd	Sporting goods online selling	December 1, 2021	80	120,790

Fitness Equipment Services, LLC. was acquired in order to stabilize the North American market of the Group.

In order to expand the sales market of fitness equipment in Thailand, the Group acquired 44% equity of CITY SPORTS (THAILAND) CO., LTD

In order to expand the retail market of sporting goods in the United Kingdom, the Group acquired 80% equity of Neutron Ventures Ltd.

### b. Assets acquired and liabilities assumed at the date of acquisition

#### 2020

	Fitness Equipment Services, LLC.
Current assets	
Cash	\$ 3,492
Accounts receivable	542,218
Inventories	286,131
Other current assets	4,193
Non-current assets	
Property, plant and equipment (Note 15)	24,231
Intangible assets (Note 19)	715,042
Other non-current assets	5,549
Current liabilities	
Short-term borrowings	(480,242)
Accounts payable	(147,072)
Other payables	(133,743)
Non-current liabilities	
Deferred tax liabilities (Note 29)	<u>(185,540)</u>
	<u>\$ 634,259</u>

2021

	<b>CITY SPORTS (THAILAND) CO., LTD</b>	<b>Neutron Ventures Ltd</b>
Current assets		
Cash	\$ 2,721	\$ 15,608
Accounts receivable	3,248	1,704
Other receivable	996	245
Income tax assets	28	-
Inventories	25,706	116,444
Prepayment	-	8,053
Other current assets	-	2,954
Non-current assets		
Property, plant and equipment (Note 15)	4,340	454
Right-of-use assets	2,910	-
Other non-current assets	207	55
Current liabilities		
Short-term borrowings	(6,093)	-
Accounts payable	-	(29,466)
Other payables	(18,120)	(27,641)
Income tax liabilities	-	(4,353)
Provision	-	(3,082)
Lease liabilities	(955)	-
Other current liabilities	-	(4,147)
Non-current liabilities		
Lease liabilities	<u>(470)</u>	<u>-</u>
	<u>\$ 14,518</u>	<u>\$ 76,828</u>

The initial accounting for the acquisition was only provisionally determined at the end of the 2021. At the date of issuance of these consolidated financial statements, the necessary market valuations and other calculations have not been finalized.

c. Non-controlling interests

The non-controlling interests of CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd at the acquisition date were recognized according to the fair value of identifiable net assets.

d. Goodwill recognized on acquisitions

Acquired Fitness Equipment Services, LLC.

	<b>Fitness Equipment Services, LLC.</b>
Consideration transferred	\$ 948,251
Less: Fair value of identifiable net assets acquired	<u>(634,259)</u>
Goodwill recognized on acquisitions	<u>\$ 313,992</u>

The goodwill recognized in the acquisition of Fitness Equipment services, LLC. mainly included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Acquired CITY SPORTS (THAILAND) CO., LTD

	<b>CITY SPORTS (THAILAND) CO., LTD</b>
Consideration transferred	\$ 12,450
Add: Non-controlling interests (56% in CITY SPORTS (THAILAND) CO., LTD)	8,130
Less: Fair value of identifiable net assets acquired	<u>(14,518)</u>
Goodwill recognized on acquisitions	<u>\$ 6,062</u>

Acquired Neutron Ventures Ltd

	<b>Neutron Ventures Ltd</b>
Consideration transferred	\$ 120,790
Add: Non-controlling interests (20% in Neutron Ventures Ltd)	15,366
Less: Fair value of identifiable net assets acquired	<u>(76,828)</u>
Goodwill recognized on acquisitions	<u>\$ 59,328</u>

The initial accounting for business combinations of CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd was incomplete by the end of the reporting period in which the combination occurred; thus, the Group reported provisional amounts for the items for which the accounting was incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional goodwill is recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

- e. Net cash outflow on the acquisition of subsidiaries

2020

	<b>Fitness Equipment Services, LLC</b>
Consideration paid in cash	\$ 948,251
Less: Payables for investments (Notes 13 and 23)	(85,440)
Less: Cash balances acquired	<u>(3,492)</u>
Net cash outflow on the acquisition of subsidiaries	<u>\$ 859,319</u>

2021

	<b>CITY SPORTS (THAILAND) CO., LTD</b>	<b>Neutron Ventures Ltd</b>
Consideration paid in cash	\$ 12,450	\$ 120,790
Less: Payables for investments (Notes 13 and 23)	(8,715)	(30,871)
Less: Cash balances acquired	<u>(2,721)</u>	<u>(15,608)</u>
Net cash outflow on the acquisition of subsidiaries	<u>\$ 1,014</u>	<u>\$ 74,311</u>

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates are as follows:

- 1) The financial results of Fitness Equipment Services, LLC since the acquisition date to December 31, 2020 are as follows:

	<b>Fitness Equipment Services, LLC</b>
Revenue	<u>\$ 6,992,362</u>
Profit	<u>\$ 78,946</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$7,628,031 thousand, and the profit would have been \$86,123 thousand for 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

- 2) The financial results of CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd since the acquisition dates to December 31, 2021 are as follows:

	<b>CITY SPORTS (THAILAND) CO., LTD</b>	<b>Neutron Ventures Ltd</b>
Revenue	<u>\$ 1,026</u>	<u>\$ 36,114</u>
Loss	<u>\$ (2,023)</u>	<u>\$ (3,958)</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$439,524 thousand, and the loss would have been \$59,634 thousand for 2021. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

### 33. ACQUISITION OF A SUBSIDIARY THAT DOES NOT CONSTITUTE A BUSINESS

Due to the demand of production capacity for business expansion. On December 8, 2020, the Group acquired 100% of the equity shares of President Plastic Products MFG. Co., Ltd. at a consideration of \$258,640 thousand. In accordance with IFRS 3, the Group evaluated and concluded that the acquired shares of President Plastic Products MFG. Co., Ltd. did not constitute a business; therefore, the share purchase transaction is accounted for as acquisition of a group of assets.

The information relating to the assets acquired and liabilities assumed and the relevant net cash outflow at the date of acquisition:

a. Assets acquired and liabilities assumed

	<b>President Plastic Products MFG. Co., Ltd.</b>
Current assets	
Cash	\$ 192
Other receivables	4,690
Non-current assets	
Property, plant and equipment (Note 15)	284,704
Current liabilities	
Short-term borrowings	(28,177)
Other payables	(16)
Other current liabilities	(3)
Non-current liabilities	
Other non-current liabilities	<u>(2,750)</u>
	<u>\$ 258,640</u>

b. Net cash outflow on the acquisition of subsidiaries

	<b>President Plastic Products MFG. Co., Ltd.</b>
Consideration paid in cash	\$ 258,640
Less: Payable for investments (Notes 13 and 23)	(18,889)
Less: Cash balances acquired	<u>(192)</u>
Net cash outflow on the acquisition of subsidiaries	<u>\$ 239,559</u>

### 34. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Group entered into the following partial cash investing activities:

a. From cash investing activities

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 231,338	\$ 85,924
Changes in prepayments for purchases of equipment	(7,083)	11,015
Changes in payables for purchase of equipment	<u>915</u>	<u>(147)</u>
Cash paid	<u>\$ 225,170</u>	<u>\$ 96,792</u>
Partial cash paid for other intangible assets		
Purchase of other intangible assets	\$ 82,943	\$ 16,791
Changes in payables for royalties	(24,869)	50,294
Changes in prepayments for purchases of equipment	<u>749</u>	<u>56</u>
Cash paid	<u>\$ 58,823</u>	<u>\$ 67,141</u>

b. Changes in liabilities arising from financing activities

	<b>Short-term Borrowings</b>	<b>Bonds Payable</b>	<b>Long-term Borrowings</b>	<b>Guarantee Deposits Received</b>	<b>Lease Liabilities</b>
Balance at January 1, 2021	\$ 1,573,781	\$ 462,372	\$ 950,550	\$ 2,737	\$ 64,271
Cash flows	1,289,927	994,594	(158,886)	62	(20,503)
Non-cash changes					
New leases	-	-	-	-	12,442
Acquisition through business combinations (Notes 32 and 33)	6,093	-	-	-	1,425
Decrease during the period	-	-	-	-	(258)
Liability component	-	(1,492)	-	-	-
Equity component	-	(87,689)	-	-	-
Interests	-	11,651	-	-	-
Exchange rate impact	<u>(3,726)</u>	<u>-</u>	<u>(1,237)</u>	<u>(67)</u>	<u>(4,898)</u>
Balance at December 31, 2021	<u>\$ 2,866,075</u>	<u>\$ 1,379,436</u>	<u>\$ 790,427</u>	<u>\$ 2,732</u>	<u>\$ 52,479</u>
Balance at January 1, 2020	\$ 1,513,300	\$ 592,874	\$ 897,718	\$ 2,671	\$ 82,361
Cash flows	(453,384)	594,548	54,044	157	(22,557)
Non-cash changes					
New leases	-	-	-	-	8,521
Acquisitions through business combinations (Notes 32 and 33)	508,419	-	-	-	-
Decrease during the period	-	-	-	-	(4,398)
Assets component	-	1,487	-	-	-
Equity component	-	(733,453)	-	-	-
Other gain and loss	-	-	-	-	16
Interests	-	6,916	-	-	-
Exchange rate impact	<u>5,446</u>	<u>-</u>	<u>(1,212)</u>	<u>(91)</u>	<u>328</u>
Balance at December 31, 2020	<u>\$ 1,573,781</u>	<u>\$ 462,372</u>	<u>\$ 950,550</u>	<u>\$ 2,737</u>	<u>\$ 64,271</u>

### 35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

### 36. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

The Group believes the carrying amounts of the financial assets and financial liabilities not carried at fair value except for bonds payable are approximately equal to their fair values.

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 1,379,436	\$ -	\$ 1,380,826	\$ -	\$ 1,380,826

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 462,372	\$ -	\$ 466,792	\$ -	\$ 466,792

The fair values of the financial liabilities included in the Level 2 categories above have been determined in accordance with a binomial-tree model for convertible bond pricing.

#### b. Fair value of financial instruments measured at fair value on a recurring basis

##### 1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Hybrid financial assets convertible bonds	\$ -	\$ -	\$ 139,035	\$ 139,035

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 13,290	\$ 13,290
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>45,495</u>	<u>45,495</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,785</u>	<u>\$ 58,785</u>
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	\$ -	\$ 772	\$ -	\$ 772
Convertible bonds option	<u>-</u>	<u>13,363</u>	<u>-</u>	<u>13,363</u>
	<u>\$ -</u>	<u>\$ 14,135</u>	<u>\$ -</u>	<u>\$ 14,135</u>
				(Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Convertible bonds option	<u>\$ -</u>	<u>\$ 2,593</u>	<u>\$ -</u>	<u>\$ 2,593</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,165</u>	<u>\$ 51,165</u>
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	<u>\$ -</u>	<u>\$ 1,685</u>	<u>\$ -</u>	<u>\$ 1,685</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

	Financial Assets at FVTPL Hybrid Instruments	Financial Assets at FVTOCI Equity Instruments
<u>Financial assets</u>		
Balance at January 1, 2021	\$ -	\$ 51,165
Purchases	138,750	12,900
Recognized in profit or loss	285	-
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	-	(5,200)
Effects of foreign currency exchange differences	<u>-</u>	<u>(80)</u>
Balance at December 31, 2021	<u>\$ 139,035</u>	<u>\$ 58,785</u>

For the year ended December 31, 2020

	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>	
Balance at January 1, 2020	\$ 42,984
Purchases	9,075
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(1,053)
Effects of foreign currency exchange differences	<u>159</u>
Balance at December 31, 2020	<u>\$ 51,165</u>

3) Valuation techniques and assumptions applied for fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Domestic and foreign unlisted shares	The fair values of non-publicly traded equity investments are mainly determined by using the income approach and asset approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. The asset approach measures the total value of individual assets and individual liabilities included in the valuation objectives.
Convertible promissory notes	The probability-weighted average expected return method is used for value analysis, considering the terms of the purchase agreement and the management's expected probability and rights to future possible scenarios, to calculate the present value of the expected return for each scenario and the analysis results by weighting of scenario against associated probability.
Derivative financial instruments - swap contracts	Swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
Derivative financial instruments - call and put options	Binomial-tree model for convertible bond pricing:  The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.

The use of estimates and hypotheses of the Group's valuation method is consistent with the market participants, when pricing such financial instruments.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 139,035	\$ 2,593
Financial assets at amortized cost (Note 1)	3,232,677	4,896,816
Financial assets at FVTOCI - equity instruments	58,785	51,165
<u>Financial liabilities</u>		
FVTPL		
Held for trading	14,135	1,685
Amortized cost (Note 2)	6,984,535	7,068,371

Note 1: The balances included financial assets measured at amortized cost, which comprised cash, financial assets at amortized cost, notes receivable, accounts receivable, partial other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes payable, accounts payable, bonds payable, long-term borrowings (including current portion), long-term payable, partial other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, accounts payable, and borrowings. The Group's corporate treasury function coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 41.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollars, Renminbi, Euro and British Pound.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency strengthening (weakening) 5% against the relevant currency.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (211,702)	\$ (240,149)	\$ 28,255	\$ 55,935
	<b>EUR Impact</b>		<b>GBP Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (11,397)	\$ (5,082)	\$ (15,456)	\$ (9,995)

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 292,386	\$ 208,923
Financial liabilities	4,385,261	2,045,107
Cash flow interest rate risk		
Financial assets	938,770	1,065,612
Financial liabilities	831,496	1,109,337

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2021 would have increased/decreased by \$268 thousand which was mainly attributable to the Group's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2020 would have decreased/increased by \$109 thousand which was mainly attributable to the Group's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopts a policy of doing business with a counterparty with good reputation.

The credit risk of the Group arises mainly from the top five customers. The accounts receivable from the above customers accounted for 61.36% and 75.29% of total accounts receivable as of December 31, 2021 and 2020, respectively.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized short-term bank loan facilities of \$3,516,878 thousand and \$2,393,779 thousand, respectively.

The following table details the Group's contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

### December 31, 2021

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 537,007	\$ 1,165,811	\$ 117,439	\$ -	\$ -
Variable interest rate liabilities	1.15%-4.45%	90,878	26,369	191,340	278,746	244,163
Fixed interest rate liabilities	0.85%-5.84%	574,559	529,132	1,707,855	1,521,235	-
Lease liabilities	1.56%-4.90%	1,335	3,065	13,635	35,873	-
		<u>\$ 1,203,779</u>	<u>\$ 1,724,377</u>	<u>\$ 2,030,269</u>	<u>\$ 1,835,854</u>	<u>\$ 244,163</u>

### December 31, 2020

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 1,174,571	\$ 2,440,870	\$ 360,020	\$ 2,737	\$ -
Variable interest rate liabilities	1.15%-4.78%	91,731	126,381	139,767	472,916	308,735
Fixed interest rate liabilities	0.68%-4.07%	100,195	420,493	936,263	532,508	-
Lease liabilities	1.56%-4.75%	2,159	3,927	16,127	44,075	2,710
		<u>\$ 1,368,656</u>	<u>\$ 2,991,671</u>	<u>\$ 1,452,177</u>	<u>\$ 1,052,236</u>	<u>\$ 311,445</u>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Swap contracts	\$ -	\$ -	\$ 172	\$ -	\$ -

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Swap contracts	\$ -	\$ -	\$ (1,079)	\$	\$

4) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	\$ 1,837,515	\$ 421,659
Amount unused	<u>1,552,000</u>	<u>1,352,000</u>
	<u>\$ 3,389,515</u>	<u>\$ 1,773,659</u>
Secured bank overdraft facilities		
Amount used	\$ 1,818,987	\$ 2,102,672
Amount unused	<u>1,964,878</u>	<u>1,041,779</u>
	<u>\$ 3,783,865</u>	<u>\$ 3,144,451</u>

### 37. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note.

The details of the compensation of key management personnel for the years ended December 31, 2021 and 2020 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 105,398	\$ 127,687
Post-employment benefits	<u>775</u>	<u>989</u>
	<u>\$ 106,173</u>	<u>\$ 128,676</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 38. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 1,972,402	\$ 2,017,226
Pledged deposits - current	292,394	208,931
Right-of-use assets	279,783	287,713
Inventories	168,792	70,425
Investment properties	<u>20,448</u>	<u>21,327</u>
	<u>\$ 2,733,819</u>	<u>\$ 2,605,622</u>

### 39. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

### 40. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES: NONE

#### 41. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 140,103	27.6800 (USD:NTD)	\$ 3,878,061
USD	16,221	6.3720 (USD:RMB)	449,000
USD	2,729	1.2803 (USD:CAD)	75,527
RMB	32,151	4.3440 (RMB:NTD)	139,666
RMB	248	0.1569 (RMB:USD)	1,077
EUR	7,286	31.3200 (EUR:NTD)	228,183
EUR	10	1.1315 (EUR:USD)	308
EUR	-	0.8397 (EUR:GBP)	14
GBP	8,241	37.3000 (GBP:NTD)	307,389
GBP	51	1.1909 (GBP:EUR)	1,904
Non-monetary items			
USD	22,880	27.6800 (USD:NTD)	633,315
USD	26,907	7.7994 (USD:HKD)	744,777
HKD	302,065	3.5490 (HKD:NTD)	1,072,030
RMB	194,817	1.2240 (RMB:HKD)	846,284
CAD	12,197	0.7811 (CAD:USD)	263,719
EUR	2,649	31.3200 (EUR:NTD)	82,955
GBP	3,213	37.3000 (GBP:NTD)	119,860
THB	13,546	0.8347 (THB:NTD)	11,308
<u>Financial liabilities</u>			
Monetary items			
USD	1,527	27.6800 (USD:NTD)	42,264
USD	268	1.2803 (USD:CAD)	7,426
USD	2,120	115.0936 (USD:JPY)	58,685
USD	2,174	6.3720 (USD:RMB)	60,179
RMB	146,095	4.3440 (RMB:NTD)	634,637
RMB	16,390	0.1569 (RMB:USD)	71,198
EUR	18	1.1315 (EUR:USD)	564
GBP	5	1.1909 (GBP:EUR)	180
Non-monetary items			
GBP	3,141	37.3000 (GBP:NTD)	117,116
JPY	107,777	0.2405 (JPY:NTD)	25,920

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 170,342	28.4800 (USD:NTD)	\$ 4,851,332
USD	4,587	6.5067 (USD:RMB)	130,623
USD	2,205	1.2743 (USD:CAD)	62,785
RMB	55,746	4.3770 (RMB:NTD)	244,002
RMB	40	0.1537 (RMB:USD)	175
EUR	2,828	35.0200 (EUR:NTD)	99,027
EUR	91	1.2296 (EUR:USD)	3,181
EUR	2	0.9003 (EUR:GBP)	55
GBP	5,138	38.9000 (GBP:NTD)	199,872
GBP	4	1.1108 (GBP:EUR)	166
Non-monetary items			
USD	33,986	28.4800 (USD:NTD)	967,933
USD	23,867	7.7539 (USD:HKD)	679,733
HKD	289,218	3.6730 (HKD:NTD)	1,062,298
RMB	195,228	1.1917 (RMB:HKD)	854,514
CAD	10,512	0.7848 (CAD:USD)	234,956
EUR	2,284	35.0200 (EUR:NTD)	79,979
<u>Financial liabilities</u>			
Monetary items			
USD	5,319	28.4800 (USD:NTD)	151,486
USD	225	1.2743 (USD:CAD)	6,412
USD	1,110	103.0764 (USD:JPY)	31,606
USD	2	0.7321 (USD:EUR)	53
USD	1,833	6.5067 (USD:RMB)	52,201
RMB	285,008	4.3770 (RMB:NTD)	1,247,482
RMB	26,365	0.1537 (RMB:USD)	115,400
EUR	18	1.2296 (EUR:USD)	630
GBP	4	1.1108 (GBP:EUR)	145
Non-monetary items			
GBP	2,127	38.9000 (GBP:NTD)	82,757
JPY	28,111	0.2763 (JPY:NTD)	7,767

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$185,471 thousand and \$194,560 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

## 42. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees:

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
  - 9) Trading in derivative instruments: Notes 7 and 36
- b. Information on investees (excluding investees in mainland China): Table 6
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8
    - c) The amount of property transactions and the amount of the resultant gains or losses: None
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
- d. Intercompany relationships and significant intercompany transactions: Table 9
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10

### 43. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments are Asia, Americas and Europe, which mainly manufacture and sell treadmills, elliptical machines, and outdoor furniture.

#### a. Segment revenue and results

	Asia	Americas	Europe	Eliminations	Total
For the year ended <u>December 31, 2021</u>					
Revenue from external customers	\$ 2,472,007	\$ 8,442,811	\$ 827,263	\$ -	\$ 11,742,081
Intersegment revenue	<u>8,360,490</u>	<u>39,387</u>	<u>19,658</u>	<u>(8,419,535)</u>	<u>-</u>
Consolidated revenue	<u>\$ 10,832,497</u>	<u>\$ 8,482,198</u>	<u>\$ 846,921</u>	<u>\$ (8,419,535)</u>	<u>\$ 11,742,081</u>
Segment income (loss)	<u>\$ 783,287</u>	<u>\$ (262,585)</u>	<u>\$ (7,147)</u>	<u>\$ 35,591</u>	<u>\$ 549,146</u>
For the year ended <u>December 31, 2020</u>					
Revenue from external customers	\$ 1,798,058	\$ 10,686,573	\$ 639,125	\$ -	\$ 13,123,756
Intersegment revenue	<u>9,747,062</u>	<u>3,572,151</u>	<u>14,325</u>	<u>(13,333,538)</u>	<u>-</u>
Consolidated revenue	<u>\$ 11,545,120</u>	<u>\$ 14,258,724</u>	<u>\$ 653,450</u>	<u>\$ (13,333,538)</u>	<u>\$ 13,123,756</u>
Segment income (loss)	<u>\$ 947,603</u>	<u>\$ 313,445</u>	<u>\$ (28,738)</u>	<u>\$ 422,594</u>	<u>\$ 1,654,904</u>

#### b. Segment assets and liabilities

	<u>December 31</u>	
	2021	2020
<u>Segment assets</u>		
Asia	\$ 7,015,920	\$ 5,879,763
Americas	4,450,060	6,948,127
Europe	<u>710,647</u>	<u>424,098</u>
Total segment assets	<u>\$ 12,176,627</u>	<u>\$ 13,251,988</u>
<u>Segment liabilities</u>		
Asia	\$ 3,272,642	\$ 1,867,130
Americas	3,905,747	6,104,024
Europe	<u>628,799</u>	<u>410,972</u>
Total segment liabilities	<u>\$ 7,807,188</u>	<u>\$ 8,382,126</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Treadmill	\$ 5,806,638	\$ 6,545,399
Elliptical trainer	2,286,908	3,260,187
Bike	1,398,360	1,656,183
Furniture	1,015,807	444,705
Others	<u>1,234,368</u>	<u>1,217,282</u>
	<u>\$ 11,742,081</u>	<u>\$ 13,123,756</u>

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, mainland China, Europe and America.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
America	\$ 9,274,861	\$ 10,923,394
Europe	1,484,560	1,197,822
Taiwan	403,803	376,136
Mainland China	299,035	378,021
Others	<u>279,822</u>	<u>248,383</u>
	<u>\$ 11,742,081</u>	<u>\$ 13,123,756</u>

	<b>Non-current Assets</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
America	\$ 537,225	\$ 415,727
Mainland China	930,068	992,873
Taiwan	3,032,555	3,079,982
Europe	<u>99,058</u>	<u>120,890</u>
	<u>\$ 4,598,906</u>	<u>\$ 4,609,472</u>

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

Single customers contributing 10% or more to the Group's revenue:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Customer A from America	<u>\$ 1,957,742</u>	<u>\$ 2,844,461</u>

**TABLE 1**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
0	Dyaco International Inc.	Dyaco Japan Co., Ltd.	Other receivables from related parties	Yes	\$ 27,295 (JPY 113,495 thousand)	\$ 21,700 (JPY 90,227 thousand)	\$ 21,700 (JPY 90,227 thousand)	-	Business transaction	\$ 86,252	-	\$ -	-	\$ -	\$ 86,252 (Note 2)	\$ 1,594,740 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	48,413 (EUR 1,546 thousand)	48,413 (EUR 1,546 thousand)	48,413 (EUR 1,546 thousand)	-	Business transaction	155,812	-	-	-	-	155,812 (Note 2)	1,594,740 (Note 4)	
		CARDIOfitness GmbH & Co. KG	Other receivables from related parties	Yes	12,528 (EUR 400 thousand)	12,528 (EUR 400 thousand)	12,528 (EUR 400 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	1,591,496 (Note 1)	1,594,740 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	134,536 (GBP 3,607 thousand)	130,806 (GBP 3,507 thousand)	130,806 (GBP 3,507 thousand)	-	Business transaction	267,015	-	-	-	-	267,015 (Note 2)	1,594,740 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	2,969 (US\$ 107 thousand)	-	-	-	Business transaction	20,951	-	-	-	-	20,951 (Note 2)	1,594,740 (Note 4)	
		Wing Long Co., Ltd.	Other receivables from related parties	Yes	2,914	-	-	-	Business transaction	3,427	-	-	-	-	3,427 (Note 2)	1,594,740 (Note 4)	
		CITY SPORTS (THAILAND) CO., LTD.	Other receivables from related parties	Yes	25,041 (THB 30,000 thousand)	25,041 (THB 30,000 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	797,370 (Note 1)	797,370 (Note 4)	
		Sweatband. Com Ltd	Other receivables from related parties	Yes	37,300 (GBP 1,000 thousand)	37,300 (GBP 1,000 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	797,370 (Note 1)	797,370 (Note 4)	
1	Spirit Manufacturing Inc.	Spirit Direct, LLC.	Other receivables from related parties	Yes	2,768 (US\$ 100 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	297,305 (Note 3)	297,305 (Note 3)	

Note 1: The maximum financing of a parent to a subsidiary in which the parent entity directly and indirectly holds over 90% voting shares is limited to 40% of the net value of the parent entity; the maximum financing to other individual corporations is limited to 20% of the net value of the parent entity.

Note 2: The amount of financing provided to companies with which the parent entity has business transactions is limited to the transaction amount.

Note 3: The maximum financing to companies in which the parent entity directly and indirectly holds 100% voting shares is limited to net value of the lender, the maximum financing allowed to other corporations is limited to 40% of the net value of the lender.

Note 4: The maximum financing allowed is limited to 40% of the net value of the parent entity.

Note 5: The maximum balance for the period and ending balances were approved by the board of directors.

Note 6: Eliminated from the consolidated financial statements.

TABLE 2

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)	Note
		Name	Relationship											
0	Dyaco International Inc.	Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	\$ 398,685	\$ 114,880 (US\$ 1,000 thousand and RMB 20,000 thousand)	\$ 114,880 (US\$ 1,000 thousand and RMB 20,000 thousand)	\$ 49,480 (US\$ 1,000 thousand and RMB 5,000 thousand)	\$ -	2.90	\$ 398,685	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	1,993,425	1,119 (GBP 30,000 thousand)	-	-	-	-	1,993,425	Y	-	-	
		Fuel-Spirit International Inc.	Indirectly held subsidiary	1,993,425	41,520 (US\$ 1,500 thousand)	41,520 (US\$ 1,500 thousand)	-	-	1.05	1,993,425	Y	-	-	
		President Plastic Products MFG Co., Ltd.	Directly held subsidiary	1,993,425	30,000	30,000	29,500	-	0.76	1,993,425	Y	-	-	
		Cikayda Inc.	Directly held subsidiary	1,993,425	100,000	100,000	-	-	2.52	1,993,425	Y	-	-	
		CARDIOfitness GmbH & Co. KG	Indirectly held subsidiary	1,993,425	31,320 (EUR 1,000 thousand)	31,320 (EUR 1,000 thousand)	-	-	0.79	1,993,425	Y	-	-	
		Wing Long Co., Ltd.	Directly held subsidiary	1,993,425	10,000	10,000	-	-	0.25	1,993,425	Y	-	-	
1	President Plastic Products MFG Co., Ltd.	Dyaco International Inc.	Ultimate parent	1,993,425	770,000	770,000	-	770,000	19.43	1,993,425	-	Y	-	
		Cikayda Inc.	Ultimate parent is Dyaco International Inc.	1,993,425	100,000	100,000	-	100,000	2.52	1,993,425	-	-	-	

Note 1: The maximum amount of endorsement provided to a subsidiary in which the guarantor directly and indirectly holds over 90% voting shares is limited to 50% of the net value of the guarantor the maximum amount of endorsement provided to other individual corporations is limited to 10% of the net value of the guarantor and the total amount provided is limited to 50% of net value of the guarantor.

Note 2: The maximum balance for the period and ending balances were approved by the board of directors.

Note 3: “Y” means the endorsement/guarantee is given by a parent entity on behalf of subsidiaries, or given by subsidiaries on behalf of a parent entity or on behalf of companies in mainland China.

**TABLE 3**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Dyaco International Inc.	<u>Stock</u> Energy Moana Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	300,000	\$ 5,723	0.74	\$ 5,723	Note 1
	Firenze Cultural Exchange International Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	750,000	7,567	7.50	7,567	Note 1
	Uniigym Global Holdings Limited.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	9,558 (US\$ 345 thousand)	2.50	9,558 (US\$ 345 thousand)	Note 1
	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	31,897 (US\$ 1,152 thousand)	10.00	31,897 (US\$ 1,152 thousand)	Note 1
	<u>Convertible promissory note</u> Morsel Inc.	-	Financial assets at fair value through profit or loss (FVTPL)	-	139,035 (US\$ 5,023 thousand)	-	139,035 (US\$ 5,023 thousand)	Note 1
Dyaco (Shanghai) Trading Co., Ltd.	<u>Stock</u> Bigger Fit Technology (Beijing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	2.50	-	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	4,040 (RMB 930 thousand)	9.00	4,040 (RMB 930 thousand)	Note 1

Note 1: Unlisted shares and convertible promissory note without quoted price were calculated by fair value method.

Note 2: For the information on investments and associates in subsidiaries, refer to Tables 6 and 7.

TABLE 4

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount (Note 3)	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	% to Total (Note 1)	
Dyaco International Inc.	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Sales	\$ 2,639,742	38	Flexible	Based on mutual agreement	Flexible	\$ 1,389,264	52	Note 2
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Sales	2,092,657	30	Flexible	Based on mutual agreement	Flexible	741,346	28	Note 2
	Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	Purchase	2,268,264	53	Flexible	Based on mutual agreement	Flexible	(634,246)	63	
	Dyaco Canada Inc.	Indirectly held subsidiary	Sales	497,009	7	Flexible	Based on mutual agreement	Flexible	102,938	4	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	177,718	3	Flexible	Based on mutual agreement	Flexible	83,059	3	Note 2
	Dyaco UK Ltd.	Directly held subsidiary	Sales	162,909	4	Flexible	Based on mutual agreement	Flexible	84,786	3	Note 2
	Dyaco Europe GmbH	Directly held subsidiary	Sales	100,478	2	Flexible	Based on mutual agreement	Flexible	59,445	2	Note 2
Fitness Equipment Services, LLC.	Dyaco International Inc.	Ultimate parent	Purchase	2,639,742	99	Flexible	Based on mutual agreement	Flexible	(1,578,119)	100	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	2,092,657	100	Flexible	Based on mutual agreement	Flexible	(1,461,152)	91	
Shelton Corporation (Jiaxing), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	261,358	7	Flexible	Based on mutual agreement	Flexible	71,261	2	
Fuel Spirit International Inc.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	261,358	100	Flexible	Based on mutual agreement	Flexible	(71,261)	95	
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	2,268,264	63	Flexible	Based on mutual agreement	Flexible	634,246	55	
Dyaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	497,009	79	Flexible	Based on mutual agreement	Flexible	(102,938)	66	

(Continued)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 3)	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 3)	% to Total (Note 1)	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	\$ 177,718	72	Flexible	Based on mutual agreement	Flexible	\$ (109,403)	88	
Dyaco UK Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	162,909	61	Flexible	Based on mutual agreement	Flexible	(265,368)	100	
Dyaco Europe GmbH	Dyaco International Inc.	Ultimate parent	Purchase	100,478	70	Flexible	Based on mutual agreement	Flexible	(134,626)	93	

Note 1: The rate is calculated in accordance with individual financial statements.

Note 2: Excluding accounts receivable exceeded the credit period which were transferred to other receivables.

Note 3: Eliminated from the consolidated financial statements.

(Concluded)

**TABLE 5**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Receivables from Related Party		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Financial Statement Accounts	Ending Balance (Note 3)		Amount	Actions Taken		
Dyaco International Inc.	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Accounts receivable	\$ 1,389,264	1.80%	\$ -	-	\$ -	\$ -
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	741,346	1.41%	-	-	-	-
	Dyaco Canada Inc.	Indirectly held subsidiary	Accounts receivable	102,938	5.07%	-	-	79,788	-
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	83,059	1.45%	-	-	21,574	-
	Dyaco UK Ltd.	Directly held subsidiary	Accounts receivable	84,786	2.02%	-	-	-	-
	Dyaco Europe GmbH.	Directly held subsidiary	Accounts receivable	59,445	2.11%	-	-	-	-
Shelton Corporation (Jiaying), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	634,246	2.41%	-	-	387,107	-
Dyaco International Inc.	Dyaco UK Ltd.	Directly held subsidiary	Other receivables	180,582	Note 1	-	-	4,085	-
	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Other receivables	300,118	Note 2	-	-	203,615	-
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Other receivables	741,950	Note 2	-	-	559,049	-
	Dyaco Europe GmbH.	Directly held subsidiary	Other receivables	75,181	Note 1	-	-	-	-
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Other receivables	26,344	Note 1	-	-	26,344	-

Note 1: Other receivables refer to financing provided of which the accounts receivable were transferred due to exceeding the credit period for a certain period of time.

Note 2: Other receivables refer to product service revenue and the accounts receivable were transferred due to exceeding the credit period for a certain period of time.

Note 3: Eliminated from the consolidated financial statements.

TABLE 6

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 9)
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount (Notes 1 and 9)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	\$ 1,128,018	\$ 1,128,018	290,634,628	100	\$ 1,072,030	\$ 58,461	\$ 51,935 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	358,161	-	100	82,955	29,480	29,480
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	8,587	(922)	(922)
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	(25,920)	(16,867)	(16,867)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	25,000	20,000	2,500,000	100	8,228	(8,477)	(8,447)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	80,574	-	100	(117,166)	(29,312)	(29,312)
	SOLE INC.	America	Investment	948,631	948,631	-	100	566,799	(314,361)	(337,930) (Note 3)
	President Plastic Products MFG Co., Ltd.	Taiwan	Rental of property	258,640	258,640	1,100,000	100	259,500	888	990 (Note 4)
	Cikayda Inc.	Taiwan	Manufacturing and selling	20,000	-	2,000,000	100	18,949	(1,051)	(1,051)
	Morsel Inc.	America	Intelligent fitness content production company	27,750 (US\$ 1,000 thousand)	-	909,090	11	25,061 (US\$ 905 thousand)	(25,899) (US\$ -931 thousand)	(2,753) (US\$ -99 thousand)
	CITY SPORTS (THAILAND) CO., LTD.	Thailand	Fitness equipment selling	12,450 (THB 14,420 thousand)	-	176,000	44	11,308 (THB 13,546 thousand)	(2,023) (THB -2,293 thousand)	(890) (THB -1,009 thousand) (Note 5)
	Neutron Ventures Ltd	United Kingdom	Investment	120,790 (GBP 3,258 thousand)	-	292,666	80	119,860 (GBP 3,213 thousand)	(3,958) (GBP -103 thousand)	(3,167) (GBP -82 thousand) (Note 6)
Dyaco Europe GmbH.	CARDIOfitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	119,067 (EUR 3,802 thousand)	50,752 (EUR 1,531 thousand)	46,171 (EUR 1,392 thousand) (Note 7)
	CARDIOfitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	875 (EUR 30 thousand)	5 (EUR 1 thousand)	5 (EUR 1 thousand)
SOLE INC.	Fitness Equipment Services, LLC.	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	63,262 (US\$ 2,100 thousand)	-	100	(178,696) (US\$ -6,456 thousand)	(317,758) (US\$ -11,345 thousand)	(317,758) (US\$ -11,345 thousand)
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	379,727 (US\$ 12,400 thousand)	379,727 (US\$ 12,400 thousand)	12,400,000	100	703,810 (HK\$ 198,312 thousand)	45,231 (HK\$ 12,554 thousand)	45,231 (HK\$ 12,554 thousand)
Fuel Spirit International Inc.	Spirit Manufacturing Inc.	America	Import, export and selling	265,734 (US\$ 8,890 thousand)	265,734 (US\$ 8,890 thousand)	1,667.50	100	290,118 (US\$ 10,740 thousand)	(32,487) (US\$ -1,160 thousand)	(32,487) (US\$ -1,160 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	263,719 (US\$ 9,527 thousand)	37,667 (US\$ 1,352 thousand)	37,667 (US\$ 1,345 thousand) (Note 8)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 6)
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount (Notes 1 and 6)		
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	\$ 62,118 (US\$ 2,000 thousand)	\$ 62,118 (US\$ 2,000 thousand)	-	100	\$ (35,561) (US\$ -1,140 thousand)	\$ (11,110) (US\$ -397 thousand)	\$ (11,110) (US\$ -397 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US\$ 200 thousand)	6,092 (US\$ 200 thousand)	-	100	74 (US\$ 3 thousand)	(13,557) (US\$ -484 thousand)	(13,557) (US\$ -484 thousand)
Neutron Ventures Ltd	Interactive Online Commerce Ltd	United Kingdom	Investment	97,577 (GBP 2,632 thousand)	-	-	100	83,919 (GBP 2,250 thousand)	(3,315) (GBP -86 thousand)	(3,315) (GBP -86 thousand)
	Neutron Ventures Poland S.p Z.o.o	Poland	Service industry	34 (PLN 5 thousand)	-	-	100	(322) (PLN -47 thousand)	(640) (PLN -90 thousand)	(640) (PLN -90 thousand)
Interactive Online Commerce Ltd	Sweatband.com Ltd	United Kingdom	Sporting Goods selling	96,564 (GBP 2,604 thousand)	-	-	100	83,719 (GBP 2,244 thousand)	(3,315) (GBP -86 thousand)	(3,315) (GBP -86 thousand)

Note 1: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 2: Including share of profit of \$58,461 thousand and unrealized profits of \$6,526 thousand from upstream intercompany transactions.

Note 3: Including share of loss of \$314,361 thousand minus amortization of investment premium of \$23,569 thousand.

Note 4: Including share of profit of \$888 thousand and unrealized expenses of \$102 thousand.

Note 5: Including 44% of share of loss of \$890 thousand.

Note 6: Including 80% of share of loss of \$3,167 thousand.

Note 7: Including share of profit of \$50,752 thousand minus amortization of investment premium of \$4,581 thousand.

Note 8: Including share of profit of \$37,873 thousand minus amortization of investment premium of \$206 thousand.

Note 9: Eliminated from the consolidated financial statements.

(Concluded)

TABLE 7

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021
						Outward	Inward						
Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	\$ 88,780 (US\$ 3,000 thousand)	Through an investment company registered in a third region (Note 1)	\$ 88,780 (US\$ 3,000 thousand)	\$ -	\$ -	\$ 88,780 (US\$ 3,000 thousand)	\$ (2,271) (HK\$ -630 thousand)	100	\$ (2,271) (HK\$ -630 thousand)	\$ 165,660 (HK\$ 46,678 thousand)	\$ -
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	568,888 (US\$ 18,800 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US\$ 21,830 thousand)	-	-	659,471 (US\$ 21,830 thousand)	26,729 (HK\$ 7,419 thousand)	60	3,727 (HK\$ 1,034 thousand) (Note 3)	680,624 (HK\$ 191,779 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(1,168) (RMB -269 thousand)	100	(1,168) (RMB -269 thousand)	8,060 (RMB 786 thousand)	-
	Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	Healthcare management consulting	12,807 (RMB 3,000 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(1,419) (RMB -327 thousand)	40	(568) (RMB -131 thousand)	4,645 (RMB 1,069 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
\$ 748,251 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

Note 1: The investment company required in third region is Dyaco International Holding Limited.

Note 2: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 3: Including 60% share of profit of \$16,038 thousand minus amortization of investment premium of \$8,138 thousand, unrealized profits of \$205 thousand from upstream intercompany transactions and unrealized profits of \$3,968 thousand from side stream intercompany transactions.

Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

Note 5: Reinvested RMB1,200 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

Note 6: According to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China announced by Ministry of Economic Affairs (MOEA), the Corporation is not subject to an upper limit due to obtaining supporting document for operation headquarters of the company issued by Industrial Development Bureau, MOEA.

Note 7: Eliminated from the consolidated financial statements.

**TABLE 8**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Investor Company	Investee Company	Transaction Type	Purchase/Sale		Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Amount (Note 2)	% (Note 1)	Payment Terms	Comparison with Normal Transactions	Ending Balance (Note 2)	% (Note 1)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	Sales Purchase	\$ 177,718 2,268,264	3 53	Flexible Flexible	Based on mutual agreement Based on mutual agreement	\$ 83,059 (634,246)	3 63	\$ 13,730 10,694	

Note 1: The rate is calculated in accordance with individual financial statements of each company.

Note 2: Eliminated from the consolidated financial statements.

TABLE 9

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
2021	0	Dyaco International Inc.	Spirit Direct, LLC.	a	Sales	\$ 16,958	-	-
					Other operating revenue	3,994	-	-
					Accounts receivable from related parties	8,501	-	-
					Other receivables from related parties	14,200	-	-
					Investments accounted for using the equity method	1,062	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	45,389	-	-
					Other payables to related parties	16	-	-
					Other operating revenue	383	-	-
					Other revenue	40,966	-	-
					Sales	37,851	-	-
			Dyaco Japan Co., Ltd.	a	Other operating revenue	201	-	-
					Accounts receivable from related parties	27,019	-	-
					Other receivables from related parties	35,183	-	-
					Investments accounted for using the equity method	5,677	-	-
					Sales	177,528	-	2
			Dyaco (Shanghai) Trading Co., Ltd.	a	Other operating revenue	190	-	-
					Accounts receivable from related parties	83,059	-	1
					Other receivables from related parties	26,344	-	-
					Investments accounted for using the equity method	13,730	-	-
					Sales	1,847,460	-	16
			Spirit Manufacturing Inc.	a	Other operating revenue	245,197	-	2
					Other revenue	22,352	-	-
					Accounts receivable from related parties	741,346	-	6
					Other receivables from related parties	741,950	-	6
					Investments accounted for using the equity method	134,421	-	1
			Dyaco Canada Inc.	a	Sales	496,765	-	4
					Other operating revenue	244	-	-
					Accounts receivable from related parties	102,938	-	1
					Investments accounted for using the equity method	39,204	-	-
					Sales	100,475	-	1
			Dyaco Europe GmbH	a	Other operating revenue	3	-	-
					Accounts receivable from related parties	59,445	-	-
					Other receivables from related parties	75,181	-	1
					Investments accounted for using the equity method	21,817	-	-
					Rental revenue	24	-	-
			Daan Health Management Consulting Co., Ltd. Wing Long Co., Ltd.	a	Accounts receivable from related parties	439	-	-
					Other payables to related parties	317	-	-
					Sales	488	-	-
					Other expenses	305	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
			Dyaco UK Ltd.	a	Sales	\$ 162,907	-	1
					Other operating revenue	2	-	-
					Accounts receivable from related parties	84,786	-	1
					Other receivables from related parties	180,582	-	1
					Investments accounted for using the equity method	19,203	-	-
			Shelton Corporation (Jiaxing), Ltd.	a	Cost of goods sold	1,881,159	-	16
					Accounts payable to related parties	634,246	-	5
					Other expenses	156	-	-
					Inventories	488	-	-
			CARDIOfitness GmbH&Co.KG	a	Accounts receivable from related parties	46,036	-	1
					Other receivables from related parties	33,166	-	-
					Sales	78,916	-	1
					Investments accounted for using the equity method	6,369	-	-
			SOLE INC.	a	Other receivables from related parties	256	-	-
			Fitness Equipment Services, LLC.	a	Accounts receivable from related parties	1,389,264	-	11
					Other receivables from related parties	300,118	-	2
					Sales	2,639,742	-	22
					Investments accounted for using the equity method	280,428	-	2
			President Plastic Products MFG Co., Ltd.	a	Refundable deposits	900	-	-
					Lease liabilities	30,569	-	-
					Right-of-use asset	30,468	-	-
					Interest expense	212	-	-
					Depreciation	1,604	-	-
			Cikayda Inc.	a	Other receivables from related parties	315	-	-
					Rental revenue	315	-	-
	1	Spirit Direct, LLC.	Dyaco International Inc.	b	Accounts payable to related parties	22,701	-	-
					Inventories	1,062	-	-
					Cost of goods sold	20,952	-	-
			Spirit Manufacturing Inc.	c	Other payables to related parties	32,939	-	-
					Accounts payable to related parties	15,883	-	-
					Cost of goods sold	14,493	-	-
	2	Fuel-Spirit International Inc.	Dyaco International Inc.	b	Accounts payable to related parties	4,423	-	-
					Accounts receivable from related parties	16	-	-
					Other payables to related parties	40,966	-	-
					Other operating costs	41,349	-	-
			Spirit Manufacturing Inc.	c	Accounts receivable from related parties	91,344	-	1
			Dyaco Canada Inc.	c	Other operating revenue	20,126	-	-
					Accounts receivable from related parties	5,876	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	261,358	-	2
					Accounts payable to related parties	71,261	-	1
	3	Dyaco Japan Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	37,835	-	-
					Other expenses	217	-	-
					Accounts payable to related parties	62,192	-	1
					Other payables to related parties	10	-	-
					Inventories	5,677	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	4	Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	\$ 177,718	-	2
					Accounts payable to related parties	109,403	-	1
					Inventories	13,730	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	42,300	-	-
					Accounts payable to related parties	11,108	-	-
					Inventories	1,933	-	-
			Dyaco Health Technology (Beijing) Co., Ltd.	c	Accounts receivable from related parties	117	-	-
					Other receivables from related parties	89	-	-
	5	Spirit Manufacturing Inc.	Dyaco International Inc.	b	Cost of goods sold	2,092,657	-	18
					Other expenses	22,352	-	-
					Accounts payable to related parties	1,461,152	-	12
					Other payable to related parties	22,144	-	-
					Inventories	134,421	-	1
			Spirit Direct, LLC.	c	Other receivables from related parties	32,939	-	-
					Accounts receivable from related parties	15,883	-	-
					Sales	14,493	-	-
			Dyaco Canada Inc.	c	Sales	1,345	-	-
			Fuel-Spirit International Inc.	c	Accounts payable to related parties	91,344	-	1
			Fitness Equipment Services, LLC.	c	Sales	23,500	-	-
					Other receivables from related parties	3,977	-	-
					Accounts receivable from related parties	49	-	-
			Dyaco UK Ltd.	c	Sales	49	-	-
	6	Dyaco Canada Inc.	Dyaco International Inc.	b	Cost of goods sold	497,009	-	4
					Accounts payable to related parties	102,938	-	1
					Inventories	39,204	-	-
			Fuel-Spirit International Inc.	c	Other expenses	20,126	-	-
					Other payables to related parties	5,876	-	-
			Spirit Manufacturing Inc.	c	Cost of goods sold	1,345	-	-
	7	Dyaco Europe GmbH	Dyaco International Inc.	b	Cost of goods sold	100,478	-	1
					Accounts payable to related parties	134,626	-	1
					Inventories	21,817	-	-
			CARDIOfitness GmbH&Co.KG	c	Sales	18,421	-	-
					Cost of goods sold	78	-	-
					Other operating revenue	772	-	-
					Other expenses	532	-	-
					Accounts receivable from related parties	2,585	-	-
			Dyaco UK Ltd.	c	Cost of goods sold	345	-	-
	8	Daan Health Management Consulting Co., Ltd.	Dyaco International Inc.	b	Rental expenses	24	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	9	CARDIOfitness GmbH&Co.KG	Dyaco International Inc.  Dyaco Europe GmbH	b  c	Accounts payable to related parties Other payables to related parties Cost of goods sold Other operating revenue Inventories Cost of goods sold Sales Other operating revenue Other expenses Accounts payable to related parties	\$ 66,674 12,528 78,886 30 6,369 18,631 90 520 562 2,585	- - - - - - - - - -	- - 1 - - - - - - -
	10	Wing Long Co., Ltd.	Dyaco International Inc.	b	Accounts payable to related parties Accounts receivable from related parties Cost of goods sold Sales	439 317 488 305	- - - -	- - - -
	11	Dyaco UK Ltd.	Dyaco International Inc.  Dyaco Europe GmbH Spirit Manufacturing Inc.	b  c b	Cost of goods sold Accounts payable to related parties Inventories Sales Cost of goods sold	162,909 265,368 19,203 345 49	- - - - -	1 2 - - -
	12	Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.  Fuel-Spirit International Inc. Dyaco (Shanghai) Trading Co., Ltd.	b  c c	Sales Accounts receivable from related parties Cost of goods sold Sales Accounts receivable from related parties Accounts receivable from related parties Sales Cost of goods sold	1,881,315 634,246 488 261,358 71,261 11,108 42,300 1,933	- - - - - - - -	16 5 - 2 1 - - -
	13	Dyaco Health Technology (Beijing) Co., Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	c	Other payables to related parties	206	-	-
	14	Fitness Equipment Services, LLC.	Spirit Manufacturing Inc.  Dyaco International Inc.  SOLE INC.	c  b  c	Cost of goods sold Accounts payable to related parties Accounts payable to related parties Other payables to related parties Inventories Cost of goods sold Other receivables from related parties	23,500 4,026 1,578,119 111,263 280,428 2,639,742 8,636	- - - - - - -	- - 13 1 2 22 -
	15	SOLE INC.	Dyaco International Inc. Fitness Equipment Services, LLC	c c	Other payables to related parties Other payables to related parties	256 8,636	- -	- -
	16	President Plastic Products MFG Co., Ltd.	Dyaco International Inc.	b	Guarantee deposits received Rental revenue	900 1,714	- -	- -

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	17	Cikayda Inc.	Dyaco International Inc.	b	Other payables to related parties Rental expenses	\$ 315 315	- -	- -
	18	Neutron Ventures Ltd	Interactive Online Commerce Ltd Sweatband.com Ltd	c c	Other payables to related parties Other receivables from related parties	91,005 82,489	- -	1 1
	19	Interactive Online Commerce Ltd	Neutron Ventures Ltd Sweatband.com Ltd	c c	Other receivables from related parties Other payables to related parties	91,005 90,805	- -	1 1
	20	Neutron Ventures Poland S.p Z.o.o	Sweatband.com Ltd	c	Other payables to related parties Other receivables from related parties Sales	764 1,286 802	- - -	- - -
	21	Sweatband.com Ltd	Neutron Ventures Ltd Interactive Online Commerce Ltd Neutron Ventures Poland S.p Z.o.o	c c c	Other payables to related parties Other receivables from related parties Other payables to related parties Other receivables from related parties Other expenses	82,489 90,805 1,286 764 802	- - - - -	1 1 - - -

Note 1: Companies are numbered as follows:

- The parent is numbered as “0.”
- Subsidiaries are numbered from “1” onward.

Note 2: The flow of transactions is as follows:

- From the parent to the subsidiary.
- From the subsidiary to the parent.
- From the subsidiary to the subsidiary.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

**TABLE 10****DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lin, Ing-Gin	10,038,283	7.49
Guang-Ying Limited	9,796,727	7.30
Chuan-Feng Investment Corporation	8,111,882	6.05
Dyaco International Inc.	8,013,000	5.97
Ho, I-Hsing Investment Corporation	6,865,725	5.12

Note: The table discloses stockholding information of stockholders whose percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of ordinary shares that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

## **Attachment 2**

Parent Financial Report audited by CPA in the most recent year.

# **Dyaco International Inc.**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Dyaco International Inc.

### **Opinion**

We have audited the accompanying financial statements of Dyaco International Inc. (the "Corporation"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions for the key audit matters of the financial statements are as follows:

#### Loss on Inventory Obsolescence

As of December 31, 2021, the carrying amounts of inventories held by the Corporation and its subsidiaries which are accounted for by using the equity method were \$478,619 thousand and \$3,052,587 thousand, respectively. The amount of inventories is significant and the valuation of inventories involves significant accounting judgments and estimates made by management, especially when estimating losses from obsolete finished goods and merchandise. Therefore, the estimation of obsolescence loss from finished goods and merchandise was considered to be a key audit matter. For the accounting policies, significant accounting judgments and estimates related to inventory, refer to Notes 4-5 and 5-1. For more information about the Corporation's inventory, refer to Note 11 to the financial statements.

We evaluated the appropriateness of method applied in the calculation of obsolescence loss for finished goods and merchandise at year end. Then, we verified the data used in assumptions against the relevant supporting documents and recalculated the loss provision to ensure its accuracy. In addition, we reviewed the aging report of finished goods and merchandise and compared the allocated historical obsolescence loss with actual disposal of finished goods and merchandise from previous years in order to evaluate the adequacy of inventory losses due to obsolescence.

#### Evaluation of Impairment Loss on Goodwill from the Subsidiaries which are Accounted for by Using the Equity Method

The book value of the subsidiaries which are accounted for using the equity method included the goodwill on acquisition of Dongguan Dayu Sports Equipment Co., Ltd., Shelton Corporation (Jiaxing), Ltd., CARDIO fitness GmbH & Co. KG, Dyaco Canada Inc., Fitness Equipment Services, LLC., CITY SPORTS (THAILAND) CO., LTD. and Neutron Ventures Ltd. As of December 31, 2021, the carrying amount of goodwill was \$528,950 thousand. According to IAS 36 “Impairment of Assets”, goodwill arising from the acquisition of a business is subject to an annual impairment test by comparing its carrying amount (including attributable goodwill) with its recoverable amount. The impairment test of goodwill impairment involves significant accounting judgments and estimates made by management, especially when estimating the future cash flows and discount rates used to calculate the present value of a cash-generating unit. Thus, the impairment test of goodwill was considered to be a key audit matter. For the accounting policies, significant accounting judgments and estimates related to goodwill, refer to Notes 4-6 and 5-2. The cash-generating unit of goodwill arising from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 13-2, including the projected future cash flows and discount rates (weighted average cost of capital).

We assessed the professional skills, competencies, and objectivity of independent appraisers hired by management, and also verified the qualifications of appointed appraisers. In addition, we confirmed that nothing would affect the objectivity or restriction of job duties by discussing the job scope and reviewing conditions of appointment with management. We checked whether the method used by the independent appraisers was in accordance with the International Accounting Standards (IAS).

We assessed management’s judgments based on the opinion of our financial advisor, especially with regard to material assumptions, (including the prediction of future cash flows and discount rates) used by management to confirm the appropriateness of management’s judgments. Our primary audit procedures performed included the following:

1. We tested the data used to estimate recoverable amount of goodwill, such as historical operating revenue, revenue growth rate and gross margin for assessing the reasonableness of assumptions.
2. We compared the budgeted amounts with actual operating results of the Corporation in 2021 when considering the assessment of reliability prediction for 2022 and future years in order to assess the accuracy of management’s historical predictions.
3. We checked if there were significant differences between the weighted average cost of capital calculated by using the same valuation method and the weighted average cost of capital adopted by the Corporation to confirm that management applied the appropriate discount rates for assessing goodwill impairment.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Chao-Mei Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 31, 2022

#### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# DYACO INTERNATIONAL INC.

## BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 611,607	6	\$ 684,900	6
Financial assets at fair value through profit or loss (Notes 4, 7 and 33)	-	-	2,593	-
Financial assets at amortized cost (Notes 4, 9 and 35)	292,394	3	208,931	2
Notes receivable (Notes 4, 10 and 24)	1,490	-	1,829	-
Accounts receivable (Notes 4, 10 and 24)	105,935	1	142,678	1
Accounts receivable from related parties (Notes 4, 24 and 34)	2,542,832	25	4,189,287	38
Other receivables (Notes 4 and 10)	52,110	1	50,847	1
Other receivables from related parties (Notes 4 and 34)	1,452,687	14	394,894	4
Current tax assets (Note 26)	31,010	-	-	-
Inventories (Notes 4, 5 and 11)	478,619	5	710,403	7
Prepayments (Note 12)	39,945	-	43,084	-
Other current assets	18,923	-	19,434	-
Total current assets	5,627,552	55	6,448,880	59
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 33)	139,035	1	-	-
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 33)	54,745	1	41,141	-
Investments accounted for using the equity method (Notes 4, 5 and 13)	2,173,277	22	2,348,793	21
Property, plant and equipment (Notes 4, 14 and 35)	1,620,884	16	1,672,688	15
Right-of-use assets (Notes 4, 15 and 34)	38,915	1	3,947	-
Investment properties (Notes 4, 16 and 35)	20,448	-	21,327	-
Intangible assets (Notes 4 and 17)	128,350	1	91,538	1
Deferred income tax assets (Notes 4 and 26)	333,364	3	278,657	3
Prepayments for equipment	8,196	-	8,022	-
Refundable deposits	8,737	-	47,325	1
Other non-current assets	5,683	-	5,683	-
Total non-current assets	4,531,634	45	4,519,121	41
TOTAL	\$ 10,159,186	100	\$ 10,968,001	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 35)	\$ 2,343,950	23	\$ 1,145,000	10
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 33)	14,135	-	1,685	-
Notes payable (Note 20)	33,191	-	780,823	7
Accounts payable (Note 20)	346,217	4	818,672	8
Accounts payable to related parties (Note 34)	634,246	6	1,246,892	11
Other payables (Note 21)	179,490	2	317,082	3
Other payables to related parties (Note 34)	333	-	86,080	1
Current income tax liabilities (Note 26)	-	-	355,708	3
Lease liabilities (Notes 4, 15 and 34)	7,651	-	2,062	-
Contract liabilities (Note 24)	8,611	-	29,640	-
Current portion of long-term borrowings (Notes 18 and 35)	230,890	2	158,021	2
Other current liabilities	59,239	1	49,421	1
Total current liabilities	3,857,953	38	4,991,086	46
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	1,379,436	14	462,372	4
Long-term borrowings (Notes 18 and 35)	522,910	5	752,757	7
Deferred tax liabilities (Notes 4 and 26)	113,258	1	109,087	1
Lease liabilities (Notes 4, 15 and 34)	31,429	-	1,921	-
Long-term payables (Note 21)	104,342	1	25,878	-
Credit balance of investments accounted for using the equity method (Notes 4 and 13)	143,086	2	90,524	1
Net defined benefit liabilities (Notes 4 and 22)	19,284	-	20,399	-
Guarantee deposits received	638	-	801	-
Total non-current liabilities	2,314,383	23	1,463,739	13
Total liabilities	6,172,336	61	6,454,825	59
EQUITY (Note 23)				
Share capital				
Ordinary shares	1,339,822	13	1,311,496	12
Advance share capital	400	-	15,027	-
Total share capital	1,340,222	13	1,326,523	12
Capital surplus	2,115,925	21	1,986,005	18
Retained earnings				
Legal reserve	284,853	3	152,827	1
Special reserve	175,628	2	105,812	1
Unappropriated earnings	676,913	6	1,390,288	13
Total retained earnings	1,137,394	11	1,648,927	15
Other equity	(238,087)	(2)	(175,628)	(2)
Treasury shares	(368,604)	(4)	(272,651)	(2)
Total equity	3,986,850	39	4,513,176	41
TOTAL	\$ 10,159,186	100	\$ 10,968,001	100

The accompanying notes are an integral part of the financial statements.

# DYACO INTERNATIONAL INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 34)	\$ 6,880,450	100	\$ 8,492,324	100
LESS: SALES RETURNS	4,921	-	4,772	-
SALES DISCOUNTS AND ALLOWANCES	<u>2,696</u>	<u>-</u>	<u>1,642</u>	<u>-</u>
NET OPERATING REVENUE	6,872,833	100	8,485,910	100
OPERATING COSTS (Notes 11, 25 and 34)				
Cost of sales	<u>5,204,517</u>	<u>76</u>	<u>5,887,412</u>	<u>69</u>
GROSS PROFIT	1,668,316	24	2,598,498	31
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>(33,817)</u>	<u>-</u>	<u>(428,485)</u>	<u>(5)</u>
REALIZED GROSS PROFIT	<u>1,634,499</u>	<u>24</u>	<u>2,170,013</u>	<u>26</u>
OPERATING EXPENSES (Notes 10, 25 and 34)				
Selling and marketing	355,231	5	432,424	5
General and administrative	164,145	2	206,583	3
Research and development	104,517	2	115,655	1
Expected credit loss (gain)	<u>2,735</u>	<u>-</u>	<u>(722)</u>	<u>-</u>
Total operating expenses	<u>626,628</u>	<u>9</u>	<u>753,940</u>	<u>9</u>
OTHER OPERATING INCOME (Notes 25 and 34)	<u>63,675</u>	<u>1</u>	<u>249,926</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>1,071,546</u>	<u>16</u>	<u>1,665,999</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of subsidiaries and associates	(318,964)	(5)	140,631	2
Interest income (Note 34)	842	-	5,131	-
Rental income (Note 34)	4,415	-	4,766	-
Other income	10,442	-	4,694	-
Foreign exchange loss, net (Note 25)	(165,119)	(2)	(182,314)	(2)
Gain or loss on valuation of financial instruments	(14,951)	-	(579)	-
Other expenses	(111)	-	(925)	-
Interest expense (Notes 25 and 34)	<u>(43,781)</u>	<u>(1)</u>	<u>(35,122)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(527,227)</u>	<u>(8)</u>	<u>(63,718)</u>	<u>(1)</u>

(Continued)

# DYACO INTERNATIONAL INC.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 544,319	8	\$ 1,602,281	19
INCOME TAX EXPENSE (Notes 4 and 26)	<u>103,471</u>	<u>1</u>	<u>281,172</u>	<u>3</u>
NET PROFIT	<u>440,848</u>	<u>7</u>	<u>1,321,109</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	808	-	(1,058)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	704	-	206	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(5,904)	-	(1,259)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(162)</u>	<u>-</u>	<u>212</u>	<u>-</u>
	<u>(4,554)</u>	<u>-</u>	<u>(1,899)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(57,259)</u>	<u>(1)</u>	<u>(68,762)</u>	<u>(1)</u>
Other comprehensive loss for the period, net of income tax	<u>(61,813)</u>	<u>(1)</u>	<u>(70,661)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 379,035</u>	<u>6</u>	<u>\$ 1,250,448</u>	<u>15</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 3.48</u>		<u>\$ 11.69</u>	
Diluted	<u>\$ 3.31</u>		<u>\$ 11.38</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

DYACO INTERNATIONAL INC.

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Other Equity									
	Share Capital			Retained Earnings			Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
	Ordinary Shares	Advance Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2020	\$ 961,009	\$ -	\$ 758,304	\$ 133,886	\$ 79,123	\$ 239,976	\$ (109,706)	\$ 3,893	\$ (172,340)	\$ 1,894,145
Issuance of ordinary shares under employee share options (Note 28)	3,000	1,000	121,631	-	-	-	-	-	-	125,631
Equity component of convertible bonds issued by the Corporation (Notes 19 and 23)	-	-	12,666	-	-	-	-	-	-	12,666
Changes in capital surplus from investments using the equity method	-	-	558	-	-	-	-	-	-	558
Appropriation of prior year's earnings										
Legal reserve	-	-	-	18,941	-	(18,941)	-	-	-	-
Special reserve	-	-	-	-	26,689	(26,689)	-	-	-	-
Cash dividends to shareholder - NT\$1.15 per share	-	-	-	-	-	(124,321)	-	-	-	(124,321)
	-	-	-	18,941	26,689	(169,951)	-	-	-	(124,321)
Convertible bonds converted to ordinary shares (Note 19)	157,487	14,027	549,273	-	-	-	-	-	-	720,787
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,321,109	-	-	-	1,321,109
Other comprehensive loss for the year ended December 31, 2020	-	-	-	-	-	(846)	(68,762)	(1,053)	-	(70,661)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,320,263	(68,762)	(1,053)	-	1,250,448
Issuance of ordinary shares for cash (Note 23)	190,000	-	548,745	-	-	-	-	-	-	738,745
Buy-back of ordinary shares (Note 23)	-	-	-	-	-	-	-	-	(155,550)	(155,550)
Treasury shares transferred to employees (Note 23)	-	-	(5,172)	-	-	-	-	-	55,239	50,067
BALANCE AT DECEMBER 31, 2020	1,311,496	15,027	1,986,005	152,827	105,812	1,390,288	(178,468)	2,840	(272,651)	4,513,176
Issuance of ordinary shares under employee share options (Note 28)	8,760	(600)	58,812	-	-	-	-	-	-	66,972
Equity component of convertible bonds issued by the Corporation (Notes 19 and 23)	-	-	38,988	-	-	-	-	-	-	38,988
Changes in capital surplus from investments using the equity method	-	-	1,876	-	-	-	-	-	-	1,876
Gain on disgorgement	-	-	140	-	-	-	-	-	-	140
Appropriation of prior year's earnings										
Legal reserve	-	-	-	132,026	-	(132,026)	-	-	-	-
Special reserve	-	-	-	-	69,816	(69,816)	-	-	-	-
Share dividends to shareholder - NT\$7.50 per share	-	-	-	-	-	(953,027)	-	-	-	(953,027)
	-	-	-	132,026	69,816	(1,154,869)	-	-	-	(953,027)
Convertible bonds converted to ordinary shares (Note 19)	19,566	(14,027)	43,162	-	-	-	-	-	-	48,701
Net profit for the year ended December 31, 2021	-	-	-	-	-	440,848	-	-	-	440,848
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	646	(57,259)	(5,200)	-	(61,813)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	441,494	(57,259)	(5,200)	-	379,035
Buy-back of ordinary shares (Note 23)	-	-	-	-	-	-	-	-	(157,086)	(157,086)
Treasury shares transferred to employees (Note 23)	-	-	(13,058)	-	-	-	-	-	61,133	48,075
BALANCE AT DECEMBER 31, 2021	\$ 1,339,822	\$ 400	\$ 2,115,925	\$ 284,853	\$ 175,628	\$ 676,913	\$ (235,727)	\$ (2,360)	\$ (368,604)	\$ 3,986,850

The accompanying notes are an integral part of the financial statements.

# DYACO INTERNATIONAL INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 544,319	\$ 1,602,281
Adjustments for:		
Depreciation expense	74,401	76,313
Amortization expense	37,144	44,466
Expected credit loss recognized (reversed)	2,735	(722)
Net loss on fair value changes of financial instrument at fair value through profit or loss	14,951	579
Interest expense	43,781	35,122
Interest income	(842)	(5,131)
Compensation costs of employee share options	34,379	109,556
Share of loss (profit) of subsidiaries and associates accounted for using the equity method	318,964	(140,631)
Gain on disposal of property, plant and equipment	(357)	(266)
Loss on inventories valuation and obsolescence	-	3,155
Unrealized gain on the transactions with subsidiaries	33,817	428,485
Unrealized loss on foreign currency exchange	71,972	78,543
Changes in operating assets and liabilities		
Notes receivable	339	(597)
Accounts receivable	25,309	(55,605)
Accounts receivable from related parties	1,591,887	(3,177,128)
Other receivables	42,237	(36,341)
Other receivables from related parties	(1,015,642)	(211,461)
Inventories	231,784	(441,801)
Prepayments	2,359	(1,115)
Other current assets	511	11,896
Contract liabilities	(20,873)	26,509
Notes payable	(747,632)	472,449
Accounts payable	(472,433)	625,198
Accounts payable to related parties	(619,034)	773,234
Other payables	(115,358)	106,967
Other payables to related parties	(85,747)	516
Other current liabilities	9,818	9,857
Net defined benefit liabilities	(307)	(222)
Cash generated from operations	2,482	334,106
Interest received	3,459	2,514
Interest paid	(33,047)	(28,206)
Income tax paid	(540,887)	(75,301)
Net cash generated from (used in) operating activities	(567,993)	233,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(12,900)	(9,075)
Decrease (increase) in other financial assets	(83,463)	119,426

(Continued)

# DYACO INTERNATIONAL INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Purchase of financial assets at fair value through profit or loss	\$ (138,750)	\$ -
Purchase of investments accounted for using the equity method	(27,750)	-
Increase in investments in subsidiaries (Note 13)	(25,000)	(868,701)
Net cash outflow on acquisition of subsidiaries (Note 13)	(93,654)	(230,206)
Payments for property, plant and equipment (Note 31)	(20,449)	(60,036)
Proceeds from disposal of property, plant and equipment	620	480
Increase in refundable deposits	(4,912)	(44,478)
Increase in other receivables from related parties	(45,546)	(3,836)
Payments for intangible assets (Note 31)	<u>(52,844)</u>	<u>(37,701)</u>
Net cash used in investing activities	<u>(504,648)</u>	<u>(1,134,127)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	1,198,950	(110,000)
Proceeds from issuance of convertible bonds	994,594	594,648
Repayments of bonds payables	-	(100)
Proceeds from long-term borrowings	-	200,000
Repayments of long-term borrowings	(156,978)	(143,112)
Proceeds from (refund of) guarantee deposits received	(163)	34
Repayment of the principal portion of lease liabilities	(5,117)	(2,312)
Cash dividends	(953,027)	(124,321)
Proceeds from issuance of ordinary shares	-	706,129
Exercise of employee share options	32,593	16,075
Payments for buy-back of ordinary shares	(157,086)	(155,550)
Proceeds from treasury shares transferred to employees	48,075	50,067
Imposition of disgorgement	<u>140</u>	<u>-</u>
Net cash generated from financing activities	<u>1,001,981</u>	<u>1,031,558</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,633)</u>	<u>(4,740)</u>
NET INCREASE (DECREASE) IN CASH	(73,293)	125,804
CASH, BEGINNING OF THE YEAR	<u>684,900</u>	<u>559,096</u>
CASH, END OF THE YEAR	<u>\$ 611,607</u>	<u>\$ 684,900</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

# DYACO INTERNATIONAL INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Dyaco International Inc. (the “Corporation”) was established in 1990. The Corporation mainly manufactures, imports, exports and sells sports equipment and outdoor furniture. The Corporation’s shares have been listed on the Taiwan Stock Exchange since September 20, 2016.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 31, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation assesses the possible impact that the application of other standards and interpretations did not have material impact on the Corporation's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

## **Foreign Currencies**

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Corporation's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

### **Inventories**

Inventories consist of raw materials, supplies, work in process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost on the balance sheet date.

### **Investments in Subsidiaries**

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. When the Corporation acquires a subsidiary that does not constitute a business, the Corporation appropriately allocates the cost of acquisition to the Corporation's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

### **Investments in Associates**

An associate is an entity over which the Corporation has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Corporation transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation's financial statements only to the extent of interests in the associate that are not related to the Corporation.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Investment Properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets Other than Goodwill**

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

## 1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

### a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 33.

### b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable at amortized cost and other receivable, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

### c) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## 2) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 300 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The Corporation recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 3) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

### b. Financial liabilities

The Corporation derecognizes financial liabilities only when, the Corporation's obligations are discharged or canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

c. Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross-currency swap contracts and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset at FVTPL; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability at FVTPL.

d. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

## **Revenue Recognition**

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fitness equipment and outdoor furnitures. Sales of these goods are recognized as revenue when the ownership of goods has been transferred from seller to buyer because it is the time when the customer has full the discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

b. Revenue from the rendering of services

Revenue is recognized when services are rendered.

## **Leasing**

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

### **a. The Corporation as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

### **b. The Corporation as lessee**

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Net interest on the net defined benefit liability are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit plan.

### **Share-based Payment Arrangements**

a. Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

b. Employee share options granted to the employees of a subsidiary

The grant by the Corporation of its equity instruments to the employees of a subsidiary under options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### a. Write-down of inventories

The obsolete inventory is assessed by performing inventory aging analysis. And the estimation of write-down of inventories is based on cost impairment percentage according to historical experience. In case the actual situation of obsolete inventory is more serious than expected, a material impairment loss may arise.

### b. Estimated impairment of goodwill for investments in subsidiaries

Determining whether the goodwill of investments in subsidiaries is impaired requires an estimation of the recoverable amount of the cash-generating units. The calculation of the recoverable amount in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 452	\$ 455
Checking accounts and demand deposits	85,286	102,640
Foreign currency deposits	<u>525,869</u>	<u>581,805</u>
	<u>\$ 611,607</u>	<u>\$ 684,900</u>

The market interest rates of cash in bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Demand deposits	0.001%-0.20%	0.001%-0.35%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Convertible bonds options (Note 19)	<u>\$ -</u>	<u>\$ 2,593</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible promissory notes (Note 13)	<u>\$ 139,035</u>	<u>\$ -</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Cross-currency swap contracts (not under hedge accounting)	\$ 772	\$ 1,685
Convertible bonds options (Note 19)	<u>13,363</u>	<u>-</u>
	<u>\$ 14,135</u>	<u>\$ 1,685</u>
		(Concluded)

At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2021</u>			
Cross-currency swap contracts	NTD/USD	2022.08.02-2022.12.30	NTD262,788/USD9,500
<u>December 31, 2020</u>			
Cross-currency swap contracts	NTD/USD	2021.06.18-2021.10.12	NTD43,799/USD1,500

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Non-current</u>		
Domestic investments		
Unlisted ordinary shares	\$ 13,290	\$ -
Foreign investments		
Unlisted ordinary shares	<u>41,455</u>	<u>41,141</u>
	<u>\$ 54,745</u>	<u>\$ 41,141</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Restricted deposits	\$ 292,394	\$ 208,931

a. The market interest rates of cash in bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Restricted deposits	0.12%-0.29%	0.16%-0.30%

b. The financial assets at amortized cost pledged as collateral are set out in Note 35.

## 10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,490	\$ 1,829
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,490</u>	<u>\$ 1,829</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 192,583	\$ 226,716
Less: Allowance for impairment loss	<u>86,648</u>	<u>84,038</u>
	<u>\$ 105,935</u>	<u>\$ 142,678</u>
<u>Other receivables</u>		
Deposit refund receivables	\$ 43,500	\$ -
Tax refund receivables	8,499	50,800
Others	<u>111</u>	<u>47</u>
	<u>\$ 52,110</u>	<u>\$ 50,847</u>

a. Notes receivable

The average credit period of sales of goods was 30 to 120 days. In the determination of credit risk, the Corporation takes into consideration any change in credit quality from the invoice date to the reporting date. The Corporation recognizes 100% allowance for impairment loss if notes receivable become overdue.

At the end of the reporting period, there were no overdue notes receivable for which the Corporation recognized allowance for impairment loss.

b. Accounts receivable

The average credit period of sales of goods was 30 to 120 days. The Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base. The Corporation evaluates the possibility of recoverable amounts based on the past due days of accounts receivable, and measuring the expected credit loss rate by the weighting of the risk of default.

The Corporation writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix.

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0.07%	0.22%-2.05%	2.66%-5.23%	12.03%-22.48%	41.58%-100%	100%	
Gross carrying amount	\$ 54,662	\$ 27,609	\$ 16,184	\$ 9,502	\$ 1,087	\$ 83,539	\$ 192,583
Loss allowance (Lifetime ECLs)	(37)	(228)	(703)	(1,279)	(862)	(83,539)	(86,648)
Amortized cost	\$ 54,625	\$ 27,381	\$ 15,481	\$ 8,223	\$ 225	\$ -	\$ 105,935

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0.05%	0.20%-0.70%	1.84%-7.94%	22.95%-32.94%	44.38%-100%	100%	
Gross carrying amount	\$ 113,497	\$ 28,560	\$ 721	\$ 81	\$ 76	\$ 83,781	\$ 226,716
Loss allowance (Lifetime ECLs)	(62)	(88)	(26)	(25)	(56)	(83,781)	(84,038)
Amortized cost	\$ 113,435	\$ 28,472	\$ 695	\$ 56	\$ 20	\$ -	\$ 142,678

The Corporation's customer New Level UK Ltd. was in severe financial difficulty and went into bankruptcy on February 26, 2018. As of December 31, 2021, accounts receivable from New Level UK Ltd. amounted to NT\$79,163 thousand. Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Corporation recognized loss allowance.

The movements of the loss allowance of accounts receivable were as follows:

	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 84,038	\$ 85,258
Add: Net remeasurement of loss allowance	2,735	(722)
Less: Amounts written off	<u>(125)</u>	<u>(498)</u>
Ending balance	<u>\$ 86,648</u>	<u>\$ 84,038</u>

c. Other receivables

Other receivables consist of deposit refund receivables, tax refund receivables and others.

The Corporation adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The Corporation considers the current financial condition of debtors in order to measure twelve-month expected credit losses or lifetime expected credit losses. As of December 31, 2021, the ratio of allowance for impairment loss of other receivables was 0%.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 132,272	\$ 221,537
Work in progress	90,158	114,651
Finished goods	222,030	336,034
Merchandise	<u>34,159</u>	<u>38,181</u>
	<u>\$ 478,619</u>	<u>\$ 710,403</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 5,204,517	\$ 5,884,257
Inventory write-downs	<u>-</u>	<u>3,155</u>
	<u>\$ 5,204,517</u>	<u>\$ 5,887,412</u>

## 12. PREPAYMENTS

	December 31	
	2021	2020
Prepaid expenses	\$ 20,073	\$ 19,784
Prepayments for goods	<u>19,872</u>	<u>23,300</u>
	<u>\$ 39,945</u>	<u>\$ 43,084</u>

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 2,148,216	\$ 2,348,793
Investments in associate	<u>25,061</u>	<u>-</u>
	<u>\$ 2,173,277</u>	<u>\$ 2,348,793</u>

### a. Investments in subsidiaries

	December 31	
	2021	2020
Unlisted companies		
Dyaco International Holding Limited	\$ 1,072,030	\$ 1,062,298
SOLE INC.	566,799	926,792
President Plastic Products Mfg. Co., Ltd.	259,500	258,510
Neutron Ventures Ltd	119,860	-
Dyaco Europe GmbH	82,955	79,979
Cikayda Inc.	18,949	-
CITY SPORTS (THAILAND) CO., LTD	11,308	-
Daan Health Management Consulting Co., Ltd.	8,587	9,509
Wing Long Co., Ltd.	8,228	11,705
Dyaco Japan Co., Ltd.	(25,920)	(7,767)
Dyaco UK Ltd.	<u>(117,166)</u>	<u>(82,757)</u>
	2,005,130	2,258,269
Add: Credit balance of investments accounted for using the equity method	<u>143,086</u>	<u>90,524</u>
	<u>\$ 2,148,216</u>	<u>\$ 2,348,793</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Dyaco International Holding Limited	100%	100%
SOLE INC.	100%	100%
President Plastic Products Mfg. Co., Ltd.	100%	100%
Neutron Ventures Ltd	80%	-
Dyaco Europe GmbH	100%	100%
Cikayda Inc.	100%	-
CITY SPORTS (THAILAND) CO., LTD	44%	-
Daan Health Management Consulting Co., Ltd.	100%	100%
Wing Long Co., Ltd.	100%	100%
Dyaco Japan Co., Ltd.	100%	100%
Dyaco UK Ltd.	100%	100%

Remarks:

- 1) On January 2, 2020, the board of directors resolved to establish SOLE INC., to purchase 100% equity of Fitness Equipment Services, LLC. Also, the board of directors resolved to acquire interests in SOLE INC. for US\$31,490 thousand (NT\$948,631 thousand). In addition, on February 1, 2020, SOLE INC. purchased 100% equity of Fitness Equipment Services, LLC. for US\$31,477 thousand (NT\$948,251 thousand).
- 2) On August 12, 2020, the board of directors approved the resolution to purchase 100% equity of President Plastic Products Mfg. Co., Ltd. to acquire land in Dajia District, Taichung City, and planned to build a factory. On December 8, 2020, the Corporation purchased 100% equity of President Plastic Products Mfg. Co., Ltd. for NT\$258,640 thousand. As of December 31, 2021, NT\$18,889 thousand was not paid and recognized as other payables.
- 3) In April 2021, the Corporation established Cikayda Inc. in the amount of NT\$20,000 thousand.
- 4) In November 2021, the Corporation purchased 44% equity of CITY SPORTS (THAILAND) CO., LTD for THB14,420 thousand (NT\$12,450 thousand), and according to the acquisition agreement, the Corporation obtained two out of three seats in the board of directors of CITY SPORTS (THAILAND) CO., LTD as the Corporation has control over the decision making of the relevant activities of the company; therefore, it is listed as a subsidiary. As of December 31, 2021, NT\$8,715 thousand was not paid and recognized as other payables.
- 5) In December 2021, the Corporation purchased 80% equity of Neutron Ventures Ltd for GBP3,258 thousand (NT\$120,790 thousand). As of December 31, 2021, NT\$30,871 thousand was not paid and recognized as other payables.
- 6) The Corporation acquired interests in subsidiary, Wing Long Co., Ltd., for NT\$5,000 thousand in December 2021.

For the years ended December 31, 2021 and 2020, the investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments were calculated based on financial statements which have been audited. However, the difference between the investment cost and net equity value incurred by the acquisition of CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd were recognized at the provisional amount on the balance sheet date because its identifiable assets and liabilities have not yet been completed. During the measurement period, retrospective adjustments or recognition of additional assets or liabilities are made to reflect the new information obtained about the facts and circumstances that existed on the acquisition date.

b. Estimated impairment of goodwill for investments in subsidiaries

The book value of investment in subsidiary included the goodwill from the acquisition of Dongguan Dayu Sports Equipment Co., Ltd. (the company had completed liquidation and cancellation in November 2019), Shelton Corporation (Jiaxing), Ltd., CARDIOfitness GmbH & Co. KG, Dyaco Canada Inc., and Fitness Equipment Services, LLC., CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd.

When assessing the impairment, the Corporation distinguishes the minimum identifiable asset from cash inflow. The Corporation and other investments in subsidiaries except for CARDIOfitness GmbH & CO.KG are recognized as a cash generating unit (Group A) and CARDIOfitness GmbH & Co. KG is recognized independently as a cash generating unit (Group B).

On December 31, 2021 and 2020, the management assessed the recoverable amount by value in use of asset's cash-generating unit, and considered financial budget in the future as reference of cash flows. The key assumptions which affected an assessment of the Corporation's recoverable amount and the methods to determine assumed key values are described as follows:

1) Increased rate of main business revenue:

Based on the actual sales situation in the past year, the operating income growth rate of each sales region is considered, and the Corporation's future operating strategy and future market development status are used as the basis for estimating future operating income.

2) Expected gross profit margin:

It is calculated by taking into consideration the average rate of gross profit from sales actually achieved in the past year, and the Corporation's future operating strategy and future market development status as the basis for estimating the expected rate of gross profit from sales.

3) Discount rates

Based on the discounted weighted average capital cost rate (WACC), the discount rate used in the calculation is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Group A	11.9%	11.3%
Group B	13.0%	13.2%

The Corporation evaluated Group A and B in 2021 and 2020, its recoverable amount was still higher than the related carrying amount, and thus no impairment loss was recognized.

c. Investments in associate

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associate that is not individually material	\$ 25,061	\$ -

On August 11, 2021, the board of directors resolved to invest in Morsel Inc., an intelligent fitness content production company, with a total amount of US\$6,000 thousand (approximately NT\$27,750 thousand). The ordinary shares were acquired for US\$1,000 thousand, which accounted for 11% of Morsel Inc.'s total equity; and in accordance with the investment agreement, the parent company has the right to appoint one third of the director seats and the ability to exercise significant influence over Morsel Inc. In addition, the three-year convertible promissory notes issued by Morsel Inc. were acquired for US\$5,000 thousand (approximately NT\$138,750 thousand) at an annual interest rate of 1%, which was recognized as financial assets at fair value through profit or loss and gain on fair value changes to NT\$285 thousand was recognized during 2021, please refer to Note 7.

Refer to Tables 6 for the principal places of business and countries of incorporation.

Aggregate information of associate that is not individually material

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The Corporation's share of:		
Loss from continuing operations	\$ (2,753)	\$ -
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the year	\$ (2,753)	\$ -

The investments were accounted for using the equity method and the share of profit or loss of those investments was calculated based on financial statements which have been reviewed. However, the difference between the investment cost and net equity value incurred by the acquisition of Morsel Inc. was recognized at the provisional amount on the balance sheet date because its identifiable assets and liabilities have not yet been completed. During the measurement period, retrospective adjustments or recognition of additional assets or liabilities are made to reflect the new information obtained about the facts and circumstances that existed on the acquisition date.

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Land</b>	<b>Buildings</b>	<b>Machinery Equipment</b>	<b>Trans- portation Equipment</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2020	\$ 978,863	\$ 719,098	\$ 407,960	\$ 29,508	\$ 30,435	\$ 926	\$ 2,166,790
Additions	-	2,352	44,450	7,209	1,023	604	55,638
Disposals	-	-	(1,136)	(3,024)	(978)	-	(5,138)
Balance at December 31, 2020	978,863	721,450	451,274	33,693	30,480	1,530	2,217,290
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	-	146,758	282,305	23,014	23,872	491	476,440
Depreciation expenses	-	22,681	44,508	2,261	2,892	744	73,086
Disposals	-	-	(1,133)	(2,820)	(971)	-	(4,924)
Balance at December 31, 2020	-	169,439	325,680	22,455	25,793	1,235	544,602
Carrying amounts at December 31, 2020	\$ 978,863	\$ 552,011	\$ 125,594	\$ 11,238	\$ 4,687	\$ 295	\$ 1,672,688

(Continued)

	Land	Buildings	Machinery Equipment	Trans- portation Equipment	Office Equipment	Leasehold Improvements	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 978,863	\$ 721,450	\$ 451,274	\$ 33,693	\$ 30,480	\$ 1,530	\$ 2,217,290
Additions	-	2,963	10,159	725	2,247	641	16,735
Disposals	-	-	(202,949)	(8,856)	(564)	(1,531)	(213,900)
Balance at December 31, 2021	<u>978,863</u>	<u>724,413</u>	<u>258,484</u>	<u>25,562</u>	<u>32,163</u>	<u>640</u>	<u>2,020,125</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	-	169,439	325,680	22,455	25,793	1,235	544,602
Depreciation expenses	-	22,677	40,219	2,245	2,561	574	68,276
Disposals	-	-	(202,898)	(8,644)	(564)	(1,531)	(213,637)
Balance at December 31, 2021	-	<u>192,116</u>	<u>163,001</u>	<u>16,056</u>	<u>27,790</u>	<u>278</u>	<u>399,241</u>
Carrying amounts at December 31, 2021	<u>\$ 978,863</u>	<u>\$ 532,297</u>	<u>\$ 95,483</u>	<u>\$ 9,506</u>	<u>\$ 4,373</u>	<u>\$ 362</u>	<u>\$ 1,620,884</u>

(Concluded)

The above items of property, plant and equipment used by the Corporation are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-50 years
Decoration	1-49 years
Machinery equipment	1-11 years
Transportation equipment	2-11 years
Office equipment	1-10 years
Leasehold improvements	1-5 years

Property, plant and equipment used by the Corporation and pledged as collateral for bank borrowings are set out in Note 35.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amounts</u>		
Land	\$ 30,467	\$ -
Transportation equipment	<u>8,448</u>	<u>3,947</u>
	<u>\$ 38,915</u>	<u>\$ 3,947</u>
<u>For the Year Ended December 31</u>		
	<u>2021</u>	<u>2020</u>
Additions for right-of-use assets	<u>\$ 40,214</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,604	\$ -
Buildings	-	288
Transportation equipment	<u>3,642</u>	<u>2,060</u>
	<u>\$ 5,246</u>	<u>\$ 2,348</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	\$ 7,651	\$ 2,062
Non-current	\$ 31,429	\$ 1,921

Ranges of discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	1.36%	-
Transportation equipment	1.65%	1.65%

c. Material lease-in activities and terms

The Corporation leases land for the use of factory with lease term of 10 years. The Corporation does not have bargain purchase options to acquire the land at the end of the lease terms.

d. Other information

Operating leases relate to leases of investment properties are set out in Note 16.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 2,784	\$ 1,205
Total cash outflow for leases	\$ (8,230)	\$ (3,599)

The Corporation leases certain buildings and transportation equipment which qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2020 and December 31, 2020	\$ 24,886
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	2,680
Depreciation expenses	879
Balance at December 31, 2020	3,559
Carrying amount at December 31, 2020	\$ 21,327
	(Continued)

**Completed  
Investment  
Properties**

Cost

Balance at January 1, 2021 and December 31, 2021 \$ 24,886

Accumulated depreciation

Balance at January 1, 2021 3,559

Depreciation expenses 879

Balance at December 31, 2021 4,438

Carrying amount at December 31, 2021 \$ 20,448  
(Concluded)

The investment properties were leased out for 1 year. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	<u>\$ 2,619</u>	<u>\$ 2,814</u>

The investment properties used by the Corporation are depreciated on a straight-line basis over 27 to 33 years.

During 2019, the Corporation reclassified property, plant and equipment which are leased out for rental revenue as investment property. As of December 31, 2021 and 2020, the fair value of investment property located in Zhongshan District, Taipei City was \$22,363 thousand and \$23,294 thousand, respectively. The determination of fair value was not performed by independent qualified professional valuers. The management of the Corporation used the market-based evidence of transaction price of property, plant and equipment in determining the fair value.

Investment properties used by the Corporation and pledged as collateral for bank borrowings are set out in Note 35.

## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Royalty</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2020	\$ 60,585	\$ 163,060	\$ 223,645
Additions	<u>6,630</u>	<u>10,018</u>	<u>16,648</u>
Balance at December 31, 2020	<u>67,215</u>	<u>173,078</u>	<u>240,293</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	39,065	65,224	104,289
Amortization expenses	<u>9,122</u>	<u>35,344</u>	<u>44,466</u>
Balance at December 31, 2020	<u>48,187</u>	<u>100,568</u>	<u>148,755</u>
Carrying amounts at December 31, 2020	<u>\$ 19,028</u>	<u>\$ 72,510</u>	<u>\$ 91,538</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 67,215	\$ 173,078	\$ 240,293
Additions	<u>6,824</u>	<u>67,132</u>	<u>73,956</u>
Balance at December 31, 2021	<u>74,039</u>	<u>240,210</u>	<u>314,249</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2021	48,187	100,568	148,755
Amortization expenses	<u>7,393</u>	<u>29,751</u>	<u>37,144</u>
Balance at December 31, 2021	<u>55,580</u>	<u>130,319</u>	<u>185,899</u>
Carrying amounts at December 31, 2021	<u>\$ 18,459</u>	<u>\$ 109,891</u>	<u>\$ 128,350</u>

The Corporation signed royalty agreements with several foreign well-known sports brands to manufacture and sell products. The discounted cost was recognized as royalty and included in intangible assets at the beginning of authorization period, and the related liability was recorded as current and non-current payables for royalties. The interest expenses were calculated by the effective interest method.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-5 years
Royalty	5 years

## 18. BORROWINGS

### a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	\$ 1,788,100	\$ 393,100
Secured borrowings	<u>555,850</u>	<u>751,900</u>
	<u>\$ 2,343,950</u>	<u>\$ 1,145,000</u>
Range of interest rates		
Unsecured borrowings	0.98%-1.16%	0.68%-1.25%
Secured borrowings	0.85%-1.16%	1.15%-1.63%

### b. Long-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings</u>		
Mega Bank	\$ 281,500	\$ 382,900
Taishin Bank	172,500	187,500
Taiwan Cooperative Bank	170,401	179,267
Bank SinoPac	113,427	134,068
Chang Hua Bank	<u>15,972</u>	<u>27,043</u>
	753,800	910,778
Less: Current portion	<u>230,890</u>	<u>158,021</u>
	<u>\$ 522,910</u>	<u>\$ 752,757</u>

- 1) Secured borrowings from Mega Bank: In 2007, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2007 to December 2022. As of December 31, 2021 and 2020, the borrowings were \$10,200 thousand and \$20,400 thousand, respectively, at the annual borrowing interest rate of 1.38%. In September 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to September 2024. As of December 31, 2021 and 2020, the borrowings were \$143,900 thousand and \$195,500 thousand, respectively, at the annual borrowing interest rate was 1.40%. In February 2020, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to February 2025. As of December 31, 2021 and 2020, the borrowings were \$127,400 thousand and \$167,000 thousand, respectively, at the annual borrowing interest rate of 1.45%.
- 2) Secured borrowings from Taishin Bank: In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2034. As of December 31, 2021 and 2020, the borrowings were \$150,000 thousand and \$156,000 thousand, respectively, at annual interest rate of 1.23%. In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2024. As of December 31, 2021 and 2020, the borrowings were \$22,500 thousand and \$31,500 thousand, respectively, at annual interest rate of 1.23%.

- 3) Secured borrowings from Taiwan Cooperative Bank: In November 2018, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2020 to November 2038 after two years of interest payments. As of December 31, 2021 and 2020, the annual interest rate was 1.40%.
- 4) Secured borrowings from Bank SinoPac: In 2009, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from September 2009 to September 2024. As of December 31, 2021 and 2020, the borrowings were \$25,385 thousand and \$33,846 thousand, respectively, at annual interest rate of 1.44%. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2022. As of December 31, 2021 and 2020, the borrowings were \$81,745 thousand and \$90,913 thousand, respectively, at annual interest rate of 1.26%. In 2016, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from October 2016 to October 2023. As of December 31, 2021 and 2020, the borrowings were \$6,297 thousand and \$9,309 thousand, respectively, at annual interest rate of 1.33%.
- 5) Secured borrowings from Chang Hua Bank: In May 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to May 2023. As of December 31, 2021 and 2020, the annual borrowing interest rate was 1.50%.

## 19. BONDS PAYABLE

	December 31	
	2021	2020
Secured domestic convertible bonds	\$ 417,656	\$ 462,372
Unsecured domestic convertible bonds	<u>961,780</u>	<u>-</u>
	<u>\$ 1,379,436</u>	<u>\$ 462,372</u>

- a. On August 24, 2020, the Corporation issued 0% three-year secured domestic convertible bonds at 100.5% of face value of \$600,000 thousand for the second time, with maturity date of August 24, 2023, totaling \$603,000 thousand. The convertible bonds are guaranteed by Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$89.9. Conversion may occur at any time between November 25, 2020 and August 24, 2023.

According to restrictions for second-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from November 25, 2020 to July 15, 2023, if the closing price of ordinary shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

During 2021, the amount of convertible bonds of NT\$49,800 thousand was reclassified to share capital at NT\$5,539 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$1,051 thousand and NT\$1,099 thousand, respectively. The capital surplus - options of NT\$44,213 thousand was recognized on the conversion date.

Proceeds from issuance (less transaction costs of \$8,352 thousand)	\$ 594,648
Equity component (less transaction costs allocated to the equity component of \$178 thousand)	(12,666)
Financial assets at fair value through profit or loss - call options	<u>1,487</u>
Liability component at the date of issue	583,469
Interest charged at an effective interest rate of 0.93%	1,936
Convertible bonds converted into ordinary shares	<u>(123,033)</u>
Liability component at December 31, 2020	462,372
Interest charged at an effective interest rate of 0.93%	3,985
Convertible bonds converted into ordinary shares	<u>(48,701)</u>
Liability component at December 31, 2021	<u>\$ 417,656</u>

Financial assets at fair value through profit or loss - call options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options was \$2,564 thousand for the year ended December 31, 2021.

- b. On June 28, 2021, the Corporation issued 0% three-year unsecured domestic convertible bonds at 100.0% of face value of \$1,000,000 thousand for the third time, with maturity date of June 28, 2024, totaling \$1,000,000 thousand, and the trustee is Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$100.6. Conversion may occur at any time between September 29, 2021 and June 28, 2024.

According to restrictions for third-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from September 29, 2021 to May 19 2024, if the closing price of ordinary shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The record date that the holder is entitled to sell back the convertible bond in advance is June 28, 2024. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 40-day prior written notice. The Corporation will redeem the convertible bonds based on the face value and accrued interests. The redemption amount of the bonds which have been held for full two years is 101.0% of face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.57% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,406 thousand)	\$ 994,594
Equity component (less transaction costs allocated to the equity component of \$212 thousand)	(38,988)
Financial liabilities held for trading - call and put options	<u>(1,492)</u>
Liability component at the date of issue	954,114
Interest charged at an effective interest rate of 1.57%	<u>7,666</u>
Liability component at December 31, 2021	<u>\$ 961,780</u>

Financial assets at fair value through profit or loss - call and put options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options was \$11,900 thousand for the year ended December 31, 2021.

## 20. NOTES PAYABLE AND ACCOUNTS PAYABLE

### a. Notes payable

The Corporation issues notes payable for payment and business expenditure.

### b. Accounts payable

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 21. OTHER PAYABLES AND LONG-TERM PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Payables for investments (Note 13)	\$ 58,475	\$ 28,434
Payables for salaries and bonuses	38,854	72,369
Payables for royalties (Note 17)	18,527	75,130
Payables for insurance	12,198	11,850
Payables for labor costs	7,918	8,071
Payables for employee benefits	5,734	16,236
Payables for freight	5,488	36,927
Payables for compensation of employees	5,371	7,484
Payables for remuneration of directors	2,000	5,055
Payables for purchases of equipment	-	4,289
Others	<u>24,925</u>	<u>51,237</u>
	<u>\$ 179,490</u>	<u>\$ 317,082</u>
<u>Non-current</u>		
Payables for royalties (Note 17)	<u>\$ 104,342</u>	<u>\$ 25,878</u>

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. However, the pension funded by the Corporation in accordance with the Labor Standards Law was sufficient. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 30,230	\$ 30,794
Fair value of plan assets	<u>(10,946)</u>	<u>(10,395)</u>
Deficit	<u>19,284</u>	<u>20,399</u>
Net defined benefit liabilities	<u>\$ 19,284</u>	<u>\$ 20,399</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2020	<u>\$ 29,207</u>	<u>\$ (9,644)</u>	<u>\$ 19,563</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>217</u>	<u>(71)</u>	<u>146</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(312)	(312)
Actuarial loss - changes in financial assumptions	1,357	-	1,357
Actuarial loss - changes in demographic assumptions	30	-	30
Actuarial gain - experience adjustments	<u>(17)</u>	<u>-</u>	<u>(17)</u>
Recognized in other comprehensive income	<u>1,370</u>	<u>(312)</u>	<u>1,058</u>
Contributions from employer	<u>-</u>	<u>(368)</u>	<u>(368)</u>
Balance at December 31, 2020	<u>\$ 30,794</u>	<u>\$ (10,395)</u>	<u>\$ 20,399</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2021	<u>\$ 30,794</u>	<u>\$ (10,395)</u>	<u>\$ 20,399</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>90</u>	<u>(30)</u>	<u>60</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(154)	(154)
Actuarial gain - changes in financial assumptions	(1,142)	-	(1,142)
Actuarial loss - changes in demographic assumptions	50	-	50
Actuarial loss - experience adjustments	<u>438</u>	<u>-</u>	<u>438</u>
Recognized in other comprehensive income	<u>(654)</u>	<u>(154)</u>	<u>(808)</u>
Contributions from employer	<u>-</u>	<u>(367)</u>	<u>(367)</u>
Balance at December 31, 2021	<u>\$ 30,230</u>	<u>\$ (10,946)</u>	<u>\$ 19,284</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 18	\$ 42
Selling and marketing expenses	7	12
General and administrative expenses	20	50
Research and development expenses	<u>15</u>	<u>42</u>
	<u>\$ 60</u>	<u>\$ 146</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.70%	0.30%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	\$ (688)	\$ (767)
0.25% decrease	\$ 714	\$ 796
Expected rate(s) of salary increase		
0.25% increase	\$ 703	\$ 781
0.25% decrease	\$ (681)	\$ (756)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plans for the next year	\$ 367	\$ 505
Average duration of the defined benefit obligation	9 years	10 years

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	200,000	200,000
Share capital authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	133,982	131,149
Ordinary shares issued	\$ 1,339,822	\$ 1,311,496

A holder of issued ordinary shares with par value of \$10 is entitled to vote and to receive dividends.

The Corporation's board of directors resolved to increase cash capital on September 17, 2019 through issuance of 19,000,000 shares, which was approved by the Financial Supervisory Commission on October 28, 2019 in accordance with Rule No. 1080333602. The base date of capital increase was January 13, 2020. The issued price is \$39 and paid-up capital is \$741,000 thousand.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 1,325,152	\$ 1,269,348
Conversion of bonds	613,057	568,844
Treasury shares transaction	117,644	37,685
May only be used to offset a deficit		
Conversion of employee share options	1,460	1,460
Gain on disgorgement	140	-
May not be used for any purpose		
Conversion of bonds	47,941	10,004
Employee share options	4,869	94,878
Employee share options in subsidiaries	5,662	3,786
	<u>\$ 2,115,925</u>	<u>\$ 1,986,005</u>

The capital surplus generated from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

The balance adjustment in capital surplus for the years ended December 31 in 2021 and 2020 was as follows:

	Issuance of Ordinary Shares	Convertible Bond Premium	Treasury Shares Transaction	Conversion of Employee Share Options	Enforce Disgorgement	Conversion of Bond-options	Employee Share Options	Employee Share Options in Subsidiaries
Balance at January 1, 2021	\$ 1,269,348	\$ 568,844	\$ 37,685	\$ 1,460	\$ -	\$ 10,004	\$ 94,878	\$ 3,786
Convertible bond premium	-	44,213	-	-	-	(1,051)	-	-
Exercise of employee share options	55,804	-	-	-	-	-	(31,371)	-
Compensation costs of employee share options (Remark)	-	-	-	-	-	-	34,379	1,876
Treasury shares transferred to employees	-	-	79,959	-	-	-	(93,017)	-
Issuance of convertible bonds	-	-	-	-	-	38,988	-	-
Gain on disgorgement	-	-	-	-	140	-	-	-
Balance at December 31, 2021	<u>\$ 1,325,152</u>	<u>\$ 613,057</u>	<u>\$ 117,644</u>	<u>\$ 1,460</u>	<u>\$ 140</u>	<u>\$ 47,941</u>	<u>\$ 4,869</u>	<u>\$ 5,662</u>
Balance at January 1, 2020	\$ 704,409	\$ 1,147	\$ -	\$ 1,460	\$ -	\$ 15,762	\$ 32,298	\$ 3,228
Increase cash capital	548,745	-	-	-	-	-	-	-
Convertible bond premium	-	567,697	-	-	-	(18,424)	-	-
Exercise of employee share options	16,194	-	-	-	-	-	(4,119)	-
Compensation costs of employee share options (Remark)	-	-	-	-	-	-	109,556	558
Treasury shares transferred to employees	-	-	37,685	-	-	-	(42,857)	-
Issuance of convertible bonds	-	-	-	-	-	12,666	-	-
Balance at December 31, 2020	<u>\$ 1,269,348</u>	<u>\$ 568,844</u>	<u>\$ 37,685</u>	<u>\$ 1,460</u>	<u>\$ -</u>	<u>\$ 10,004</u>	<u>\$ 94,878</u>	<u>\$ 3,786</u>

Note: On August 11, 2021, December 25, 2020 and June 29, 2020, the Corporation's board of directors resolved to transfer treasury shares to employees. In accordance with the actuarial report, compensation costs recognized by the Corporation were \$31,337 thousand, \$61,680 thousand and \$42,857 thousand, respectively. For the years ended December 31, 2021 and 2020, the compensation costs of employees' shares recognized were \$4,918 thousand and \$5,577 thousand, respectively.

c. Retained earnings and dividend policy

The Corporation has resolved the amended Articles on May 30, 2019, which authorize special resolution the board of directors to distribute the dividends and bonuses, or all or part of the legal reserve and capital surplus in cash and reported to the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings from previous years shall be used by the Corporation's board of directors as the basis for proposing a distribution plan of new issued shares which should be resolved in the shareholders' meeting for the distribution. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 28-d.

The Corporation considered overall business environment, industrial growth, undistributed retained earnings, capital surplus, financial structure, and operating condition for the distribution of earnings in order to maintain stable development and secure equity of investors. The appropriations of earnings should be higher than ten percent of undistributed retained earnings. If the undistributed retained earnings are less than one percent of the paid-in capital, then the earnings shall be transferred to retained earnings and not distributed to shareholders. The Corporation is entitled to distribute bonuses in shares or in cash; cash bonus should not be less than ten percent of total bonuses. If cash bonus will be less than \$1 per share, then the Corporation shall distribute all bonuses in shares.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 132,026	\$ 18,941		
Special reserve	69,816	26,689		
Cash dividends	953,027	124,321	\$ 7.50	\$ 1.15

The above 2020 and 2019 appropriation for cash dividends had been resolved by the Corporation's board of directors on March 30, 2021 and March 27, 2020, respectively; the other proposed appropriations had been resolved by the shareholders in their meetings on August 27, 2021 and May 28, 2020, respectively.

The appropriation of earnings for 2021 had been proposed by the Corporation's board of directors on March 31, 2022. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 44,149	
Special reserve	62,459	
Cash dividends	317,502	\$2.50

The above appropriation for cash dividends has been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 27, 2022.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

The exchange differences on translating the net assets of foreign operations from its functional currency to the Corporation's presentation currency (NTD) are recognized as exchange differences on translating the financial statements of foreign operations under other comprehensive income.

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 2,840	\$ 3,893
Recognized for the year		
Unrealized gain on equity instruments	704	206
Share from subsidiaries accounted for using the equity method	<u>(5,904)</u>	<u>(1,259)</u>
Balance at December 31	<u>\$ (2,360)</u>	<u>\$ 2,840</u>

e. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2020	4,000
Increase during the year	4,565
Decrease during the year	<u>(1,443)</u>
Number of shares at December 31, 2020	<u>7,122</u>
Number of shares at January 1, 2021	7,122
Increase during the year	2,488
Decrease during the year	<u>(1,597)</u>
Number of shares at December 31, 2021	<u>8,013</u>

On February 21, 2020, the Corporation's board of directors resolved to redeem 3,000 thousand shares at \$30 to \$50 per share from February 24, 2020 to April 23, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has redeemed 3,000 thousand shares, with total cost of \$104,927 thousand.

On March 20, 2020, the Corporation's board of directors resolved to redeem 4,500 thousand shares at \$25 to \$45 per share from March 23, 2020 to May 19, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 1,565 thousand shares, with total cost of \$50,623 thousand.

On September 29, 2021, the Corporation's board of directors resolved to redeem 4,000 thousand shares at \$45 to \$90 per share from September 30, 2021 to November 29, 2021. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 2,488 thousand shares, with total cost of \$157,086 thousand.

On August 11, 2021, December 25, 2020 and June 29, 2020, the Corporation's board of directors resolved to transfer 849 thousand, 748 thousand and 1,443 thousand shares of treasury shares to employees, respectively. For related information on employees' exercise of the treasury share options, please refer to Note 28.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 24. REVENUE

### a. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable (Note 10)	\$ 1,490	\$ 1,829	\$ 1,232
Accounts receivable (Note 10)	\$ 105,935	\$ 142,678	\$ 93,313
Accounts receivable from related parties (Note 34)	\$ 2,542,832	\$ 4,189,287	\$ 1,061,571
Contract liabilities			
Sale of goods	\$ 8,611	\$ 29,640	\$ 4,191

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Corporation's performance and the respective customer's payment.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
From contract liabilities at the start of the year		
Sale of goods	\$ 29,640	\$ 4,191

### b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sale of goods	\$ 6,847,454	\$ 7,920,362
Others	25,379	565,548
	<u>\$ 6,872,833</u>	<u>\$ 8,485,910</u>

c. Partially completed contracts

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Sale of goods		
From January 2021 to December 2021	\$ -	\$ 29,640
From January 2022 to December 2022	<u>8,611</u>	<u>-</u>
	<u>\$ 8,611</u>	<u>\$ 29,640</u>

## 25. NET PROFIT

a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 68,276	\$ 73,086
Right-of-use assets	5,246	2,348
Investment properties	879	879
Intangible assets	<u>37,144</u>	<u>44,466</u>
	<u>\$ 111,545</u>	<u>\$ 120,779</u>
An analysis of depreciation by function		
Operating costs	\$ 55,535	\$ 59,398
Operating expenses	17,987	16,036
Other operating income and expenses	<u>879</u>	<u>879</u>
	<u>\$ 74,401</u>	<u>\$ 76,313</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>37,144</u>	<u>44,466</u>
	<u>\$ 37,144</u>	<u>\$ 44,466</u>

b. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Product service revenue	\$ 63,318	\$ 249,660
Gain on disposal of property, plant and equipment	<u>357</u>	<u>266</u>
	<u>\$ 63,675</u>	<u>\$ 249,926</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (Note 22)		
Defined contribution plan	\$ 18,887	\$ 16,554
Defined benefit plans	60	146
	<u>18,947</u>	<u>16,700</u>
Compensation of employees	409,466	558,197
Labor and national health insurance expenses	42,463	34,155
Other employee benefits	18,555	19,391
Emoluments of directors	<u>11,316</u>	<u>13,439</u>
	<u>481,800</u>	<u>625,182</u>
 Total employee benefits expense	 <u>\$ 500,747</u>	 <u>\$ 641,882</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 232,502	\$ 287,065
Operating expenses	<u>268,245</u>	<u>354,817</u>
	<u>\$ 500,747</u>	<u>\$ 641,882</u>

d. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the year ended December 31, 2021 and 2020 which had been approved by the Corporation's board of directors on March 31, 2022 and March 30, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	1.00%	1.00%
Remuneration of directors	0.36%	0.31%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 5,518	\$ 16,236
Remuneration of directors	2,000	5,055

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 51,540	\$ 58,074
Foreign exchange losses	<u>(216,659)</u>	<u>(240,388)</u>
Net losses	<u>\$ (165,119)</u>	<u>\$ (182,314)</u>

f. Interest expenses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 31,801	\$ 28,124
Interest on convertible bonds	11,651	6,916
Interest on lease liabilities	<u>329</u>	<u>82</u>
	<u>\$ 43,781</u>	<u>\$ 35,122</u>

## 26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 164,055	\$ 388,405
Adjustments for prior periods	<u>(9,886)</u>	<u>(6,370)</u>
	154,169	382,035
Deferred tax		
In respect of the current year	<u>(50,698)</u>	<u>(100,863)</u>
Income tax expense recognized in profit or loss	<u>\$ 103,471</u>	<u>\$ 281,172</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax	\$ <u>544,319</u>	\$ <u>1,602,281</u>
Income tax expense calculated at the statutory rate	\$ 108,864	\$ 320,456
Nondeductible expenses in determining taxable income	4,018	1,115
Investment credits	(12,116)	(14,322)
Adjustments for prior years' tax	(9,886)	(6,370)
Realized/unrealized deductible temporary differences	14,287	(648)
Adjustments for deferred tax between the Corporation's transaction	<u>(1,696)</u>	<u>(19,059)</u>
Income tax expense recognized in profit or loss	\$ <u>103,471</u>	\$ <u>281,172</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plan	\$ <u>(162)</u>	\$ <u>212</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	\$ <u>31,010</u>	\$ <u>-</u>
Current tax liabilities		
Income tax payable	\$ <u>-</u>	\$ <u>355,708</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 130,938	\$ (793)	\$ -	\$ 130,145
Investment loss recognized under the equity method	92,319	66,072	-	158,391
Allowance for impairment loss	14,887	(3,031)	-	11,856
Write-down of inventories	10,756	(936)	-	9,820
Defined benefit obligations	4,122	(44)	(162)	3,916
Unrealized financial instrument loss, net	116	2,874	-	2,990
Unrealized foreign exchange loss, net	23,581	(8,850)	-	14,731
Payables for annual leave	1,497	(423)	-	1,074
Provisions	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
	<u>\$ 278,657</u>	<u>\$ 54,869</u>	<u>\$ (162)</u>	<u>\$ 333,364</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment gain recognized under the equity method	<u>\$ 109,087</u>	<u>\$ 4,171</u>	<u>\$ -</u>	<u>\$ 113,258</u>

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 17,890	\$ 113,048	\$ -	\$ 130,938
Investment loss recognized under the equity method	85,395	6,924	-	92,319
Allowance for impairment loss	14,887	-	-	14,887
Write-down of inventories	10,126	630	-	10,756
Defined benefit obligations	3,944	(34)	212	4,122
Unrealized financial instrument loss, net	-	116	-	116
Unrealized foreign exchange loss, net	7,328	16,253	-	23,581
Payables for annual leave	1,554	(57)	-	1,497
Provisions	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
	<u>\$ 141,565</u>	<u>\$ 136,880</u>	<u>\$ 212</u>	<u>\$ 278,657</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment gain recognized under the equity method	\$ 72,930	\$ 36,157	\$ -	\$ 109,087
Unrealized financial instrument gain, net	<u>140</u>	<u>(140)</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,070</u>	<u>\$ 36,017</u>	<u>\$ -</u>	<u>\$ 109,087</u>

e. Income tax assessments

The income tax returns of the Corporation through 2019 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the period is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the year attributable to owners of the Corporation	\$ 440,848	\$ 1,321,109
Earnings used in the computation of basic earnings per share	\$ 440,848	\$ 1,321,109
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax) and gain on financial assets at FVTPL	20,893	4,647
Earnings used in the computation of diluted earnings per share	\$ 461,741	\$ 1,325,756

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	126,743	113,033
Effect of potentially dilutive ordinary shares		
Compensation of employees	133	155
Convertible bonds	10,649	1,874
Employee share options	2,033	1,485
Weighted average number of ordinary shares used in the computation of diluted earnings per share	139,558	116,547

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share options

Qualified employees of the Corporation and its subsidiaries were granted 4,000 options in December 2017. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 6 years and exercisable at the following schedule after the second anniversary from the grant date.

- 1) The options are exercisable at fifty percent after the second anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the third anniversary from the grant date.
- 3) The options are fully exercisable after the fourth anniversary from the grant date.

The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares at the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
<b>Employee Share Options</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted-average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted-average Exercise Price (\$)</b>
Balance at January 1	3,600	\$ 40.10	4,000	\$ 40.45
Options exercised	<u>(816)</u>	39.94	<u>(400)</u>	40.45
Balance at December 31	<u>2,784</u>		<u>3,600</u>	
Options exercisable, end of period	<u>2,784</u>		<u>2,600</u>	

As of the balance sheet date, outstanding options were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Range of exercise price (\$)	\$ 36.90	\$ 40.1
Weighted-average remaining contractual life (in years)	2 years	3 years

Options granted in December 2017 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>December 2017</b>
Grant-date share price	\$42.95
Exercise price	\$42.95
Expected volatility	28.17%
Expected life (in years)	4-5 years
Expected dividend yield	-
Risk-free interest rate	0.63%-0.71%

Expected volatility was based on the annualized standard deviation of daily returns of the Corporation's historical share price over the expected life of the employee share options.

For the year ended December 31, 2021, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$31,371 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$24,433 thousand was recognized on the conversion date.

For the year ended December 31, 2020, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$4,119 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$12,075 thousand was recognized on the conversion date.

Compensation costs recognized by the Corporation and its subsidiaries were \$3,042 thousand and \$338 thousand for the year ended December 31, 2021, respectively.

Compensation costs recognized by the Corporation and its subsidiaries were \$5,019 thousand and \$558 thousand for the year ended December 31, 2020, respectively.

b. Treasury shares transferred to employees

1) The first treasury shares transferred to employees

Qualified employees of the Corporation were granted 1,443 thousand treasury share options on July 3, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

<b>Employee Share Options</b>	<b>For the Year Ended December 31, 2020</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	\$ -	\$ -
Options granted	1,443	34.80
Options exercised	<u>(1,443)</u>	<u>34.80</u>
Balance at December 31	<u><u>-</u></u>	
Options exercisable, end of period	<u><u>-</u></u>	

The base date of employee share options was July 3, 2020. Employees exercised the treasury share options from July 3 to July 17, 2020.

Options granted in July 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>July 2020</b>
Grant-date share price	\$64.50
Exercise price	\$34.80
Expected volatility	41.81%
Expected life (in days)	15 days
Risk-free interest rate	0.29%
Weight-average fair value of options granted	\$34.80

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation cost recognized by the Corporation was \$42,857 thousand for the year ended December 31, 2020.

For the year ended December 31, 2020, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of \$42,857 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$37,685 thousand.

2) The second treasury shares transferred to employees

Qualified employees of the Corporation were granted 748 thousand treasury share options on December 25, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

	For the Year Ended December 31			
	2021		2020	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
<b>Employee Share Options</b>				
Balance at January 1	748	\$ 30.54	-	\$ -
Options granted	-	-	748	30.54
Options operated	<u>(748)</u>	30.54	<u>-</u>	-
Balance at December 31	<u>-</u>		<u>748</u>	
Options exercisable, end of period	<u>-</u>		<u>748</u>	

The base date of employee share options was January 15, 2021. Employees exercised the treasury share options from January 13 to January 15, 2021.

Options granted in December 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	December 2020
Grant-date share price	\$113.00
Exercise price	\$30.54
Expected volatility	61.05%
Expected life (in days)	24 days
Risk-free interest rate	0.18%
Weighted-average fair value of options granted	\$82.46

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation cost recognized by the Corporation was \$61,680 thousand for the year ended December 31, 2020.

For the year ended December 31, 2021, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of NT\$61,680 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$5,858 thousand.

3) The third treasury shares transferred to employees

Qualified employees of the Corporation were granted 849 thousand treasury share options on August 11, 2021. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

	<b>For the Year Ended December 31, 2021</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
<b>Employee Share Options</b>		
Options granted	849	\$ 29.89
Options operated	<u>(849)</u>	<u>29.89</u>
Balance at December 31	<u><u>-</u></u>	
Options exercisable, end of period	<u><u>-</u></u>	

The base date of employee share options was August 23, 2021. Employees exercised the treasury share options from August 17 to August 23, 2021.

Options granted in August 2021 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>August 2021</b>
Grant-date share price	\$66.80
Exercise price	\$29.89
Expected volatility	45.11%
Expected life (in days)	7 days
Risk-free interest rate	0.10%
Weighted-average fair value of options granted	\$36.91

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

For the year ended December 31, 2021, the compensation cost recognized by the Corporation was \$31,337 thousand.

For the year ended December 31, 2021, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of NT\$31,337 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$7,200 thousand.

c. Granting treasury share options to employees of subsidiaries

In the board meeting on March 9, 2022, the Corporation approved the granting of 2,000 options to employees of indirectly held subsidiaries; the duration is set to retroactively expire after 4 years from the issuance date of November 30, 2021 (expiration date) when the employees begin their employments. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 1 years and exercisable at the following schedule after the second anniversary from the grant date.

- 1) The options are exercisable at fifty percent after the first anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the second anniversary from the grant date.
- 3) The options are fully exercisable after the third anniversary from the grant date.

Note: According to the above schedule, seventy five percent of every subscribe should be lock-up for six months, rest of them are no restriction.

According to the regulations on the transfer of treasury shares of the Corporation, if there is an increase in the issued ordinary shares before the transfer, the execution price may be adjusted according to the ratio of the increase in the issued shares.

Above options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>Lock-up for Six Months</b>	<b>No Lock-up</b>
Grant-date share price	\$40.11	\$44.00
Exercise price	\$30.05	\$30.05
Expected volatility	39.53%-46.21%	39.53%-46.21%
Expected life (in years)	2.23-3.23 years	2.23-3.23 years
Expected dividend yield	-	-
Risk-free interest rate	0.44%-0.51%	0.44%-0.51%

Expected volatility is based on the Corporation's rate of return on historical daily share price during the expected duration of the treasury share option, and then annualized standard deviation is calculated.

Compensation cost recognized by the subsidiaries was \$1,538 thousand for the year ended December 31, 2021.

## 29. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
CITY SPORTS (THAILAND) CO., LTD	Fitness goods retail	November 1, 2021	44	\$ 12,450
Neutron Ventures Ltd	Sporting goods online selling	December 1, 2021	80	120,790

In order to expand the sales market of fitness equipment in Thailand and the retail market of sporting goods in the United Kingdom, the Corporation acquired 44% equity of CITY SPORTS (THAILAND) CO., LTD and 80% equity of Neutron Ventures Ltd, respectively. Refer to Note 32 to the Corporation's financial statements for the year ended December 31, 2021.

### 30. ACQUISITION OF A SUBSIDIARY THAT DOES NOT CONSTITUTE A BUSINESS

Due to the demand of production capacity for business expansion, on December 8, 2020, the Corporation acquired 100% of the equity shares of President Plastic Products MFG. Co., Ltd. at a consideration of \$258,640 thousand. In accordance with IFRS 3, the Corporation evaluated and concluded that the acquired shares of President Plastic Products MFG. Co., Ltd. did not constitute a business; therefore, the share purchase transaction is accounted for as acquisition of a group of assets. For details about the disposal of President Plastic Products MFG. Co., Ltd., refer to Note 33 to the Corporation's financial statements for the year ended December 31, 2021.

### 31. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Corporation entered into the following partial cash transactions:

#### a. From cash investing activities

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 16,735	\$ 55,638
Changes in prepayments for purchases of equipment	(575)	4,381
Changes in payables for purchase of equipment	<u>4,289</u>	<u>17</u>
Cash paid	<u>\$ 20,449</u>	<u>\$ 60,036</u>
Partial cash paid for other intangible assets		
Purchase of other intangible assets	\$ 73,956	\$ 16,648
Changes in payables for royalties	(21,861)	20,997
Changes in prepayments for purchases of plant and equipment	<u>749</u>	<u>56</u>
Cash paid	<u>\$ 52,844</u>	<u>\$ 37,701</u>

b. Changes in liabilities arising from financing activities

	Short-term Borrowings	Bonds Payable	Long-term Borrowings	Guarantee Deposits Received	Lease Liabilities
Balance at January 1, 2021	\$ 1,145,000	\$ 462,372	\$ 910,778	\$ 801	\$ 3,983
Cash flows	1,198,950	994,594	(156,978)	(163)	(5,117)
Non-cash changes					
Liability component	-	(1,492)	-	-	-
Equity component	-	(87,689)	-	-	-
New leases	-	-	-	-	40,214
Interests	-	11,651	-	-	-
Balance at December 31, 2021	<u>\$ 2,343,950</u>	<u>\$ 1,379,436</u>	<u>\$ 753,800</u>	<u>\$ 638</u>	<u>\$ 39,080</u>
Balance at January 1, 2020	\$ 1,255,000	\$ 592,874	\$ 853,890	\$ 767	\$ 6,295
Cash flows	(110,000)	594,548	56,888	34	(2,312)
Non-cash changes					
Assets component	-	1,487	-	-	-
Equity component	-	(733,453)	-	-	-
Interests	-	6,916	-	-	-
Balance at December 31, 2020	<u>\$ 1,145,000</u>	<u>\$ 462,372</u>	<u>\$ 910,778</u>	<u>\$ 801</u>	<u>\$ 3,983</u>

### 32. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

### 33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Corporation believes the carrying amounts of the financial assets and financial liabilities not carried at fair value except for bonds payable are approximately equal to their fair values.

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 1,379,436	\$ -	\$ 1,380,826	\$ -	\$ 1,380,826

December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 462,372	\$ -	\$ 466,792	\$ -	\$ 466,792

The fair values of the financial liabilities included in the Level 2 categories above have been determined in accordance with a binomial-tree model for convertible bond pricing.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Hybrid financial assets convertible bonds	\$ -	\$ -	\$ 139,035	\$ 139,035
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 13,290	\$ 13,290
Foreign unlisted shares	-	-	41,455	41,455
	\$ -	\$ -	\$ 54,745	\$ 54,745
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	\$ -	\$ 772	\$ -	\$ 772
Convertible bonds option	-	13,363	-	13,363
	\$ -	\$ 14,135	\$ -	\$ 14,135

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Convertible bonds option	\$ -	\$ 2,593	\$ -	\$ 2,593
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 41,141	\$ 41,141
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	\$ -	\$ 1,685	\$ -	\$ 1,685

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

	<b>Financial Assets at FVTPL Hybrid Instruments</b>	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>		
Balance at January 1, 2021	\$ -	\$ 41,141
Purchases	138,750	12,900
Recognized in profit or loss	285	-
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>-</u>	<u>704</u>
Balance at December 31, 2021	<u>\$ 139,035</u>	<u>\$ 54,745</u>

For the year ended December 31, 2020

	<b>Financial Assets at FVTOCI Equity Instruments</b>
<u>Financial assets</u>	
Balance at January 1, 2020	\$ 31,860
Purchases	9,075
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>206</u>
Balance at December 31, 2020	<u>\$ 41,141</u>

3) Valuation techniques and assumptions applied for fair value measurement

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
Domestic and foreign unlisted shares	The fair values of non-publicly traded equity investments are mainly determined by using the income approach and asset approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. The asset approach measures the total value of individual assets and individual liabilities included in the valuation objectives.

(Continued)

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
Convertible promissory notes	The probability-weighted average expected return method is used for value analysis, considering the terms of the purchase agreement and the management's expected probability and rights to future possible scenarios, to calculate the present value of the expected return for each scenario and the analysis results by weighting of scenario against associated probability.
Derivative financial instruments - swap contracts	Swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
Derivative financial instruments - call and put options	Binomial-tree model for convertible bond pricing:  The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.  (Concluded)

The use of estimates and hypotheses of the Corporation's valuation method is consistent with the market participants, when pricing such financial instruments.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 139,035	\$ 2,593
Financial assets at amortized cost (Note 1)	5,059,293	5,669,891
Financial assets at FVTOCI - equity instruments	54,745	41,141
<u>Financial liabilities</u>		
FVTPL		
Held for trading	14,135	1,685
Amortized cost (Note 2)	5,711,457	5,681,369

Note 1: The balances included financial assets measured at amortized cost, which comprised cash, financial assets at amortized cost, notes receivable, accounts receivable, accounts receivable from related parties, other receivables from related parties, partial other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes payable, accounts payable, accounts payable to related parties, other payable to related parties, bonds payable, long-term borrowings, other non-current liabilities, partial other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include accounts receivable, accounts payable, and borrowings. The Corporation's corporate treasury function coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, and interest rate risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities are set out in Note 38.

Sensitivity analysis

The Corporation is mainly exposed to the U.S. dollars, Renminbi, Euro and British Pound.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency strengthening (weakening) 5% against the relevant currency.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (191,790)	\$ (242,137)	\$ 24,749	\$ 10,809
	<b>EUR Impact</b>		<b>GBP Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (11,409)	\$ (4,902)	\$ (15,369)	\$ (9,994)

b) Interest rate risk

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 292,386	\$ 208,923
Financial liabilities	3,835,335	1,542,363
Cash flow interest rate risk		
Financial assets	604,895	683,754
Financial liabilities	803,801	1,080,778

Sensitivity analysis

The sensitivity analysis below was based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 would have increased/decreased by \$497 thousand which was mainly attributable to the Corporation's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2020 would have decreased/increased by \$993 thousand which was mainly attributable to the Corporation's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopts a policy of doing business with a counterparty with good reputation.

For the years ended of December 31, 2021 and 2020, the Corporation transacts with large number of unrelated customers and thus, credit risk is not highly concentrated.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation had available unutilized short-term bank loan facilities of \$2,669,550 thousand and \$1,593,000 thousand, respectively.

The following table details the Corporation's contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows.

December 31, 2021

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 359,841	\$ 479,004	\$ 272,557	\$ -	\$ -
Variable interest rate liabilities	1.13%-1.50%	63,182	26,369	191,340	278,747	244,163
Fixed interest rate liabilities	0.85%-1.57%	569,950	499,316	1,243,211	1,483,777	-
Lease liabilities	1.36%-1.65%	693	1,386	6,063	17,653	15,429
		<u>\$ 993,666</u>	<u>\$ 1,006,075</u>	<u>\$ 1,713,171</u>	<u>\$ 1,780,177</u>	<u>\$ 259,592</u>

December 31, 2020

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 780,972	\$ 1,920,295	\$ 360,944	\$ -	\$ -
Variable interest rate liabilities	1.15%-1.50%	63,172	126,381	139,767	472,916	308,735
Fixed interest rate liabilities	0.68%-1.63%	100,038	392,183	557,909	488,250	-
Lease liabilities	1.65%	176	352	1,582	1,934	-
		<u>\$ 944,358</u>	<u>\$ 2,439,211</u>	<u>\$ 1,060,202</u>	<u>\$ 963,100</u>	<u>\$ 308,735</u>

The following table details the Corporation's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,079)</u>	<u>\$ -</u>	<u>\$ -</u>

4) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	\$ 1,788,100	\$ 393,100
Amount unused	<u>860,000</u>	<u>640,000</u>
	<u>\$ 2,648,100</u>	<u>\$ 1,033,100</u>
Secured bank overdraft facilities		
Amount used	\$ 1,309,650	\$ 1,662,678
Amount unused	<u>1,809,550</u>	<u>953,000</u>
	<u>\$ 3,119,200</u>	<u>\$ 2,615,678</u>

### 34. RELATED PARTY TRANSACTIONS

a. Related parties and relationships

<b>Related Party</b>	<b>Relationship with the Corporation</b>
Subsidiaries	
Dyaco International Holding Limited	Subsidiary
Dyaco Japan Co., Ltd	Subsidiary
Dyaco Europe GmbH	Subsidiary
Daan Health Management Consulting Co., Ltd.	Subsidiary
Wing Long Co., Ltd.	Subsidiary
Dyaco UK Ltd.	Subsidiary
SOLE INC.	Subsidiary since January 2020
President Plastic Products Mfg. Co., Ltd.	Subsidiary since December 8, 2020
Cikayda Inc.	Subsidiary since April 2021
CITY SPORTS (THAILAND) CO., LTD	Subsidiary since November 2021
Neutron Ventures Ltd	Subsidiary since December 2021
Fuel-Spirit International Inc.	Indirect subsidiary
Dyaco (Shanghai) Trading Co., Ltd.	Indirect subsidiary
Dyaco Health Technology (Beijing) Co., Ltd.	Indirect subsidiary
Spirit Manufacturing Inc.	Indirect subsidiary
Spirit Direct, LLC.	Indirect subsidiary
Dyaco Commercial & Medical North America, LLC.	Indirect subsidiary
CARDIOfitness GmbH & Co. KG	Indirect subsidiary
CARDIOfitness Verwaltungs GmbH	Indirect subsidiary
Dyaco Canada Inc.	Indirect subsidiary
Shelton Corporation (Jiaxing), Ltd.	Indirect subsidiary
Fitness Equipment Services LLC.	Indirect subsidiary since February 2020
Interactive Online Commerce Ltd	Indirect subsidiary since December 2021
Neutron Ventures Poland S.p Z.O.O	Indirect subsidiary since December 2021
Sweatband. COM Ltd	Indirect subsidiary since December 2021

The transaction terms on flexible basis were agreed between the Corporation and the related parties. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed as follows:

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales	<u>Subsidiaries</u>		
	Fitness Equipment Services, LLC.	\$ 2,639,742	\$ 1,546,394
	Spirit Manufacturing Inc.	2,092,657	5,240,205
	Others	<u>1,076,874</u>	<u>782,117</u>
		<u>\$ 5,809,273</u>	<u>\$ 7,568,716</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Subsidiaries</u>		
Shelton Corporation (Jiaxing), Ltd.	<u>\$ 2,268,264</u>	<u>\$ 2,382,534</u>

d. Operation expense - advertising

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Subsidiaries</u>		
Others	<u>\$ -</u>	<u>\$ 3,438</u>

e. Operation expense - others

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Subsidiaries</u>		
Others	<u>\$ 305</u>	<u>\$ 519</u>

f. Other income and expense - product service income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Subsidiaries</u>		
Fuel-Spirit International Inc.	\$ 40,966	\$ 63,556
Spirit Manufacturing Inc.	22,352	72,028
Fitness Equipment Services, LLC.	<u>-</u>	<u>114,076</u>
	<u>\$ 63,318</u>	<u>\$ 249,660</u>

Payments received by the Corporation for providing product-related technical and manpower support to subsidiaries.

g. Non-operating income and expense - interest income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Subsidiaries</u>		
Dyaco UK Ltd.	\$ -	\$ 2,399
Dyaco Europe GmbH	-	1,137
Others	<u>-</u>	<u>47</u>
	<u>\$ -</u>	<u>\$ 3,583</u>

h. Non-operating income and expense - rental income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Subsidiaries</u>		
Others	\$ <u>324</u>	\$ <u>24</u>

Rental payment received monthly by the Corporation for leasing plant to subsidiaries.

i. Accounts receivable from related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Subsidiaries</u>		
Fitness Equipment Services LLC.	\$ 1,389,264	\$ 1,548,263
Spirit Manufacturing Inc.	741,346	2,224,332
Others	<u>412,222</u>	<u>416,692</u>
	<u>\$ 2,542,832</u>	<u>\$ 4,189,287</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized.

j. Other receivables from related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Subsidiaries</u>		
Spirit Manufacturing Inc.	\$ 741,950	\$ 71,770
Fitness Equipment Services, LLC.	300,118	114,479
Dyaco UK Ltd.	180,582	114,409
Dyaco Europe GmbH	75,181	26,039
Fuel-Spirit International Inc.	45,389	49,614
Others	<u>109,467</u>	<u>18,583</u>
	<u>\$ 1,452,687</u>	<u>\$ 394,894</u>

The balance on December 31, 2021 was mainly due to product service income of \$174,374 thousand, short-term financing provided to others of \$12,528 thousand, accounts receivable from related parties exceeded the credit period of \$1,260,790 thousand and others (advance payment) of \$4,995 thousand to subsidiaries, respectively.

The balance on December 31, 2020 was mainly due to product service income of \$233,668 thousand, short-term financing provided to others of \$2,848 thousand, accounts receivable from related parties exceeded the credit period of \$153,303 thousand and others (advance payment and interest) of \$5,075 thousand to subsidiaries, respectively.

Due to the accounts receivable from related parties exceeded the credit period of subsidiaries, the Corporation transferred them to other receivables, and recognized as financing provided. The balance of financing provided was \$200,919 thousand and \$156,151 thousand on December 31, 2021 and 2020, respectively. For related information, please refer to Note 39 and Table 1. On March 31, 2022, the Corporation's board of directors resolved the balance of other receivables transferred to accounts receivable due to exceeding the credit period for a certain period of time from subsidiary on December 31, 2021 of \$304,665 thousand.

k. Accounts payable to related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Subsidiaries</u>		
Shelton Corporation (Jiaxing), Ltd.	<u>\$ 634,246</u>	<u>\$ 1,246,892</u>

The outstanding accounts payable to related parties are unsecured.

l. Other payables to related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Subsidiaries</u>		
Wing Long Co., Ltd	\$ 317	\$ 1,134
Fuel-Spirit International Inc.	16	16
SOLE INC.	<u>-</u>	<u>84,930</u>
	<u>\$ 333</u>	<u>\$ 86,080</u>

m. Lease arrangements

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
President Plastic Products Mfg. Co., Ltd.	<u>\$ 32,071</u>	<u>\$ -</u>

Line Item	Related Party Category/Name	December 31	
		2021	2020
Lease liabilities	President Plastic Products Mfg. Co., Ltd.	<u>\$ 30,568</u>	<u>\$ -</u>

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Interest expense</u>		
President Plastic Products Mfg. Co., Ltd.	<u>\$ 212</u>	<u>\$ -</u>

The Corporation leased land from the subsidiary in July 2021. The lease period is 10 years. The rent is based on the general market conditions. The payment terms are monthly payment.

n. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 32,141	\$ 53,034
Post-employment benefits	<u>709</u>	<u>831</u>
	<u>\$ 32,850</u>	<u>\$ 53,865</u>

The remuneration of directors and key executives determined by the remuneration committee was based on the performance of individuals and market trends.

### 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2021	2020
Property, plant and equipment	\$ 1,510,545	\$ 1,530,793
Investment properties	20,448	21,327
Pledged deposits - current	<u>292,394</u>	<u>208,931</u>
	<u>\$ 1,823,387</u>	<u>\$ 1,761,051</u>

### 36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

### 37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS: NONE

### 38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 140,103	27.6800 (USD:NTD)	\$ 3,878,061
RMB	32,151	4.3440 (RMB:NTD)	139,666
EUR	7,286	31.3200 (EUR:NTD)	228,183
GBP	8,241	37.3000 (GBP:NTD)	307,389
CAD	2,802	21.6200 (CAD:NTD)	60,588
Non-monetary items			
USD	22,880	27.6800 (USD:NTD)	633,315
HKD	302,065	3.5490 (HKD:NTD)	1,072,030
EUR	2,649	31.3200 (EUR:NTD)	82,955
THB	13,546	0.8347 (THB:NTD)	11,308
GBP	3,213	37.3000 (GBP:NTD)	119,860
<u>Financial liabilities</u>			
Monetary items			
USD	1,527	27.6800 (USD:NTD)	42,264
RMB	146,095	4.3440 (RMB:NTD)	634,637
Non-monetary items			
GBP	3,141	37.3000 (GBP:NTD)	117,166
JPY	107,775	0.2405 (JPY:NTD)	25,920

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 170,339	28.4800 (USD:NTD)	\$ 4,851,268
RMB	55,746	4.3770 (RMB:NTD)	244,002
EUR	2,828	35.0200 (EUR:NTD)	99,027
GBP	5,138	38.9000 (GBP:NTD)	199,872
Non-monetary items			
USD	33,986	28.4800 (USD:NTD)	967,933
HKD	289,218	3.6730 (HKD:NTD)	1,062,298
EUR	2,284	35.0200 (EUR:NTD)	79,979
<u>Financial liabilities</u>			
Monetary items			
USD	299	28.4800 (USD:NTD)	8,525
RMB	105,138	4.3770 (RMB:NTD)	460,190
EUR	28	35.0200 (EUR:NTD)	981
Non-monetary items			
GBP	2,127	38.9000 (GBP:NTD)	82,757
JPY	28,111	0.2763 (JPY:NTD)	7,767

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$165,119 thousand and \$182,314 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

### 39. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
  - 9) Trading in derivative instruments: Notes 7 and 33
- b. Information on investees (excluding investees in mainland China): Table 6
  - c. Information on investments in mainland China
    - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
    - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
      - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8
      - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8
      - c) The amount of property transactions and the amount of the resultant gains or losses: None
      - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
      - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
      - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
  - d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9

TABLE 1

## DYACO INTERNATIONAL INC.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
0	Dyaco International Inc.	Dyaco Japan Co., Ltd.	Other receivables from related parties	Yes	\$ 27,295 (JPY 113,495 thousand)	\$ 21,700 (JPY 90,227 thousand)	\$ 21,700 (JPY 90,227 thousand)	-	Business transaction	\$ 86,252	-	\$ -	-	\$ -	\$ 86,252 (Note 2)	\$ 1,594,740 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	48,413 (EUR 1,546 thousand)	48,413 (EUR 1,546 thousand)	48,413 (EUR 1,546 thousand)	-	Business transaction	155,812	-	-	-	-	155,812 (Note 2)	1,594,740 (Note 4)	
		CARDIOfitness GmbH & Co. KG	Other receivables from related parties	Yes	12,528 (EUR 400 thousand)	12,528 (EUR 400 thousand)	12,528 (EUR 400 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	1,591,496 (Note 1)	1,594,740 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	134,536 (GBP 3,607 thousand)	130,806 (GBP 3,507 thousand)	130,806 (GBP 3,507 thousand)	-	Business transaction	267,015	-	-	-	-	267,015 (Note 2)	1,594,740 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	2,969 (US\$ 107 thousand)	-	-	-	Business transaction	20,951	-	-	-	-	20,951 (Note 2)	1,594,740 (Note 4)	
		Wing Long Co., Ltd.	Other receivables from related parties	Yes	2,914	-	-	-	Business transaction	3,427	-	-	-	-	3,427 (Note 2)	1,594,740 (Note 4)	
		CITY SPORTS (THAILAND) CO., LTD	Other receivables from related parties	Yes	25,041 (THB 30,000 thousand)	25,041 (THB 30,000 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	797,370 (Note 1)	797,370 (Note 4)	
		Sweatband. Com Ltd	Other receivables from related parties	Yes	37,300 (GBP 1,000 thousand)	37,300 (GBP 1,000 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	797,370 (Note 1)	797,370 (Note 4)	
1	Spirit Manufacturing Inc.	Spirit Direct, LLC.	Other receivables from related parties	Yes	2,768 (US\$ 100 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	297,305 (Note 3)	297,305 (Note 3)	

Note 1: The maximum financing of a parent to a subsidiary in which the parent entity directly and indirectly holds over 90% voting shares is limited to 40% of the net value of the parent entity; the maximum financing to other individual corporations is limited to 20% of the net value of the parent entity.

Note 2: The amount of financing provided to companies with which the parent entity has business transactions is limited to the transaction amount.

Note 3: The maximum financing to companies in which the parent entity directly and indirectly holds 100% voting shares is limited to net value of the lender, the maximum financing allowed to other corporations is limited to 40% of the net value of the lender.

Note 4: The maximum financing allowed is limited to 40% of the net value of the parent entity.

Note 5: The maximum balance for the period and ending balances were approved by the board of directors.

TABLE 2

## DYACO INTERNATIONAL INC.

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)	Note
		Name	Relationship											
0	Dyaco International Inc.	Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	\$ 398,685	\$ 114,880 (US\$ 1,000 thousand and RMB 20,000 thousand)	\$ 114,880 (US\$ 1,000 thousand and RMB 20,000 thousand)	\$ 49,480 (US\$ 1,000 thousand and RMB 5,000 thousand)	\$ -	2.90	\$ 398,685	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	1,993,425	1,119 (GBP 30,000 thousand)	-	-	-	-	1,993,425	Y	-	-	
		Fuel-Spirit International Inc.	Indirectly held subsidiary	1,993,425	41,520 (US\$ 1,500 thousand)	41,520 (US\$ 1,500 thousand)	-	-	1.05	1,993,425	Y	-	-	
		President Plastic Products MFG Co., Ltd.	Directly held subsidiary	1,993,425	30,000	30,000	29,500	-	0.76	1,993,425	Y	-	-	
		Cikayda Inc.	Directly held subsidiary	1,993,425	100,000	100,000	-	-	2.52	1,993,425	Y	-	-	
		CARDIOfitness GmbH & Co. KG	Indirectly held subsidiary	1,993,425	31,320 (EUR 1,000 thousand)	31,320 (EUR 1,000 thousand)	-	-	0.79	1,993,425	Y	-	-	
		Wing Long Co., Ltd.	Directly held subsidiary	1,993,425	10,000	10,000	-	-	0.25	1,993,425	Y	-	-	
1	President Plastic Products MFG Co., Ltd.	Dyaco International Inc.	Ultimate parent	1,993,425	770,000	770,000	-	770,000	19.43	1,993,425	-	Y	-	
		Cikayda Inc.	Ultimate parent is Dyaco International Inc.	1,993,425	100,000	100,000	-	100,000	2.52	1,993,425	-	-	-	

Note 1: The maximum amount of endorsement provided to a subsidiary in which the guarantor directly and indirectly holds over 90% voting shares is limited to 50% of the net value of the guarantor the maximum amount of endorsement provided to other individual corporations is limited to 10% of the net value of the guarantor and the total amount provided is limited to 50% of net value of the guarantor.

Note 2: The maximum balance for the period and ending balances were approved by the board of directors.

Note 3: “Y” means the endorsement/guarantee is given by a parent entity on behalf of subsidiaries, or given by subsidiaries on behalf of a parent entity or on behalf of companies in mainland China.

**TABLE 3**

**DYACO INTERNATIONAL INC.**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Dyaco International Inc.	<u>Stock</u> Energy Moana Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	300,000	\$ 5,723	0.74	\$ 5,723	Note 1
	Firenze Cultural Exchange International Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	750,000	7,567	7.50	7,567	Note 1
	Uniigym Global Holdings Limited.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	9,558 (US\$ 345 thousand)	2.50	9,558 (US\$ 345 thousand)	Note 1
	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	31,897 (US\$ 1,152 thousand)	10.00	31,897 (US\$ 1,152 thousand)	Note 1
	<u>Convertible promissory note</u> Morsel Inc.	-	Financial assets at fair value through profit or loss (FVTPL)	-	139,035 (US\$ 5,023 thousand)	-	139,035 (US\$ 5,023 thousand)	Note 1
Dyaco (Shanghai) Trading Co., Ltd.	<u>Stock</u> Bigger Fit Technology (Beijing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	2.50	-	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	4,040 (RMB 930 thousand)	9.00	4,040 (RMB 930 thousand)	Note 1

Note 1: Unlisted shares and convertible promissory note without quoted price were calculated by fair value method.

Note 2: For the information on investments and associates in subsidiaries, refer to Tables 6 and 7.

TABLE 4

## DYACO INTERNATIONAL INC.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 1)	
Dyaco International Inc.	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Sales	\$ 2,639,742	38	Flexible	Based on mutual agreement	Flexible	\$ 1,389,264	52	Note 2
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Sales	2,092,657	30	Flexible	Based on mutual agreement	Flexible	741,346	28	Note 2
	Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	Purchase	2,268,264	53	Flexible	Based on mutual agreement	Flexible	(634,246)	63	
	Dyaco Canada Inc.	Indirectly held subsidiary	Sales	497,009	7	Flexible	Based on mutual agreement	Flexible	102,938	4	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	177,718	3	Flexible	Based on mutual agreement	Flexible	83,059	3	Note 2
	Dyaco UK Ltd.	Directly held subsidiary	Sales	162,909	4	Flexible	Based on mutual agreement	Flexible	84,786	3	Note 2
	Dyaco Europe GmbH	Directly held subsidiary	Sales	100,478	2	Flexible	Based on mutual agreement	Flexible	59,445	2	Note 2
Fitness Equipment Services, LLC.	Dyaco International Inc.	Ultimate parent	Purchase	2,639,742	99	Flexible	Based on mutual agreement	Flexible	(1,578,119)	100	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	2,092,657	100	Flexible	Based on mutual agreement	Flexible	(1,461,152)	91	
Shelton Corporation (Jiaxing), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	261,358	7	Flexible	Based on mutual agreement	Flexible	71,261	2	
Fuel Spirit International Inc.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	261,358	100	Flexible	Based on mutual agreement	Flexible	(71,261)	95	
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	2,268,264	63	Flexible	Based on mutual agreement	Flexible	634,246	55	
Dyaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	497,009	79	Flexible	Based on mutual agreement	Flexible	(102,938)	66	

(Continued)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 1)	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	\$ 177,718	72	Flexible	Based on mutual agreement	Flexible	\$ (109,403)	88	
Dyaco UK Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	162,909	61	Flexible	Based on mutual agreement	Flexible	(265,368)	100	
Dyaco Europe GmbH	Dyaco International Inc.	Ultimate parent	Purchase	100,478	70	Flexible	Based on mutual agreement	Flexible	(134,626)	93	

Note 1: The rate is calculated in accordance with individual financial statements.

Note 2: Excluding accounts receivable exceeded the credit period which were transferred to other receivables.

(Concluded)

**TABLE 5**

**DYACO INTERNATIONAL INC.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Receivables from Related Party		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Financial Statement Accounts	Ending Balance		Amount	Actions Taken		
Dyaco International Inc.	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Accounts receivable	\$ 1,389,264	1.80%	\$ -	-	\$ -	\$ -
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	741,346	1.41%	-	-	-	-
	Dyaco Canada Inc.	Indirectly held subsidiary	Accounts receivable	102,938	5.07%	-	-	79,788	-
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	83,059	1.45%	-	-	21,574	-
	Dyaco UK Ltd.	Directly held subsidiary	Accounts receivable	84,786	2.02%	-	-	-	-
	Dyaco Europe GmbH.	Directly held subsidiary	Accounts receivable	59,445	2.11%	-	-	-	-
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	634,246	2.41%	-	-	387,107	-
Dyaco International Inc.	Dyaco UK Ltd.	Directly held subsidiary	Other receivables	180,582	Note 1	-	-	4,085	-
	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Other receivables	300,118	Note 2	-	-	203,615	-
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Other receivables	741,950	Note 2	-	-	559,049	-
	Dyaco Europe GmbH.	Directly held subsidiary	Other receivables	75,181	Note 1	-	-	-	-
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Other receivables	26,344	Note 1	-	-	26,344	-

Note 1: Other receivables refer to financing provided of which the accounts receivable were transferred due to exceeding the credit period for a certain period of time.

Note 2: Other receivables refer to product service revenue and the accounts receivable were transferred due to exceeding the credit period for a certain period of time.

**TABLE 6**

**DYACO INTERNATIONAL INC.**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount (Note 1)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	\$ 1,128,018	\$ 1,128,018	290,634,628	100	\$ 1,072,030	\$ 58,461	\$ 51,935 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	358,161	-	100	82,955	29,480	29,480
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	8,587	(922)	(922)
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	(25,920)	(16,867)	(16,867)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	25,000	20,000	2,500,000	100	8,228	(8,477)	(8,447)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	80,574	-	100	(117,166)	(29,312)	(29,312)
	SOLE INC.	America	Investment	948,631	948,631	-	100	566,799	(314,361)	(337,930) (Note 3)
	President Plastic Products MFG Co., Ltd.	Taiwan	Rental of property	258,640	258,640	1,100,000	100	259,500	888	990 (Note 4)
	Cikayda Inc.	Taiwan	Manufacturing and selling	20,000	-	2,000,000	100	18,949	(1,051)	(1,051)
	Morsel Inc.	America	Intelligent fitness content production company	27,750 (US\$ 1,000 thousand)	-	909,090	11	25,061 (US\$ 905 thousand)	(25,899) (US\$ -931 thousand)	(2,753) (US\$ -99 thousand)
	CITY SPORTS (THAILAND) CO., LTD	Thailand	Fitness equipment selling	12,450 (THB 14,420 thousand)	-	176,000	44	11,308 (THB 13,546 thousand)	(2,023) (THB -2,293 thousand)	(890) (THB -1,009 thousand) (Note 5)
	Neutron Ventures Ltd	United Kingdom	Investment	120,790 (GBP 3,258 thousand)	-	292,666	80	119,860 (GBP 3,213 thousand)	(3,958) (GBP -103 thousand)	(3,167) (GBP -82 thousand) (Note 6)
Dyaco Europe GmbH.	CARDIOfitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	119,067 (EUR 3,802 thousand)	50,752 (EUR 1,531 thousand)	46,171 (EUR 1,392 thousand) (Note 7)
	CARDIOfitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	875 (EUR 30 thousand)	5 (EUR 1 thousand)	5 (EUR 1 thousand)
SOLE INC.	Fitness Equipment Services, LLC.	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	63,262 (US\$ 2,100 thousand)	-	100	(178,696) (US\$ -6,456 thousand)	(317,758) (US\$ -11,345 thousand)	(317,758) (US\$ -11,345 thousand)
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	379,727 (US\$ 12,400 thousand)	379,727 (US\$ 12,400 thousand)	12,400,000	100	703,810 (HK\$ 198,312 thousand)	45,231 (HK\$ 12,554 thousand)	45,231 (HK\$ 12,554 thousand)
Fuel Spirit International Inc.	Spirit Manufacturing Inc.	America	Import, export and selling	265,734 (US\$ 8,890 thousand)	265,734 (US\$ 8,890 thousand)	1,667.50	100	290,118 (US\$ 10,740 thousand)	(32,487) (US\$ -1,160 thousand)	(32,487) (US\$ -1,160 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	263,719 (US\$ 9,527 thousand)	37,667 (US\$ 1,352 thousand)	37,667 (US\$ 1,345 thousand) (Note 8)

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount (Note 1)		
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	\$ 62,118 (US\$ 2,000 thousand)	\$ 62,118 (US\$ 2,000 thousand)	-	100	\$ (35,561) (US\$ -1,140 thousand)	\$ (11,110) (US\$ -397 thousand)	\$ (11,110) (US\$ -397 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US\$ 200 thousand)	6,092 (US\$ 200 thousand)	-	100	74 (US\$ 3 thousand)	(13,557) (US\$ -484 thousand)	(13,557) (US\$ -484 thousand)
Neutron Ventures Ltd	Interactive Online Commerce Ltd	United Kingdom	Investment	97,577 (GBP 2,632 thousand)	-	-	100	83,919 (GBP 2,250 thousand)	(3,315) (GBP -86 thousand)	(3,315) (GBP -86 thousand)
	Neutron Ventures Poland S.p Z.o.o	Poland	Service industry	34 (PLN 5 thousand)	-	-	100	(322) (PLN -47 thousand)	(640) (PLN -90 thousand)	(640) (PLN -90 thousand)
Interactive Online Commerce Ltd	Sweatband.com Ltd	United Kingdom	Sporting Goods selling	96,564 (GBP 2,604 thousand)	-	-	100	83,719 (GBP 2,244 thousand)	(3,315) (GBP -86 thousand)	(3,315) (GBP -86 thousand)

Note 1: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 2: Including share of profit of \$58,461 thousand and unrealized profits of \$6,526 thousand from upstream intercompany transactions.

Note 3: Including share of loss of \$314,361 thousand minus amortization of investment premium of \$23,569 thousand.

Note 4: Including share of profit of \$888 thousand and unrealized expenses of \$102 thousand.

Note 5: Including 44% of share of loss of \$890 thousand.

Note 6: Including 80% of share of loss of \$3,167 thousand.

Note 7: Including share of profit of \$50,752 thousand minus amortization of investment premium of \$4,581 thousand.

Note 8: Including share of profit of \$37,873 thousand minus amortization of investment premium of \$206 thousand.

(Concluded)

**TABLE 7**

**DYACO INTERNATIONAL INC.**

**INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2021
						Outward	Inward						
Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	\$ 88,780 (US\$ 3,000 thousand)	Through an investment company registered in a third region (Note 1)	\$ 88,780 (US\$ 3,000 thousand)	\$ -	\$ -	\$ 88,780 (US\$ 3,000 thousand)	\$ (2,271) (HK\$ -630 thousand)	100	\$ (2,271) (HK\$ -630 thousand)	\$ 165,660 (HK\$ 46,678 thousand)	\$ -
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	568,888 (US\$ 18,800 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US\$ 21,830 thousand)	-	-	659,471 (US\$ 21,830 thousand)	26,729 (HK\$ 7,419 thousand)	60	3,727 (HK\$ 1,034 thousand) (Note 3)	680,624 (HK\$ 191,779 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(1,168) (RMB -269 thousand)	100	(1,168) (RMB -269 thousand)	8,060 (RMB 786 thousand)	-
	Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	Healthcare management consulting	12,807 (RMB 3,000 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(1,419) (RMB -327 thousand)	40	(568) (RMB -131 thousand)	4,645 (RMB 1,069 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
\$ 748,251 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

- Note 1: The investment company required in third region is Dyaco International Holding Limited.
- Note 2: The investees' financial statements used as basis for calculating investment gains (losses) recognized had all been audited.
- Note 3: Including 60% share of profit of \$16,038 thousand minus amortization of investment premium of \$8,138 thousand, unrealized profits of \$205 thousand from upstream intercompany transactions and unrealized profits of \$3,968 thousand from side stream intercompany transactions.
- Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.
- Note 5: Reinvested RMB1,200 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.
- Note 6: According to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China announced by Ministry of Economic Affairs (MOEA), the Corporation is not subject to an upper limit due to obtaining supporting document for operation headquarters of the company issued by Industrial Development Bureau, MOEA.

**TABLE 8**

**DYACO INTERNATIONAL INC.**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Investor Company	Investee Company	Transaction Type	Purchase/Sale		Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Amount	% (Note)	Payment Terms	Comparison with Normal Transactions	Ending Balance	% (Note)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	Sales Purchase	\$ 177,718 2,268,264	3 53	Flexible Flexible	Based on mutual agreement Based on mutual agreement	\$ 83,059 (634,246)	3 63	\$ 13,730 10,694	

Note: The rate is calculated in accordance with individual financial statements of each corporation.

**TABLE 9****DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lin, Ing-Gin	10,038,283	7.49
Guang-Ying Limited	9,796,727	7.30
Chuan-Feng Investment Corporation	8,111,882	6.05
Dyaco International Inc.	8,013,000	5.97
Ho, I-Hsing Investment Corporation	6,865,725	5.12

Note: The table discloses stockholding information of stockholders whose percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of ordinary shares that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

*dyaco*

岱宇國際

Stock code: 1598

Dyaco International Inc.  
岱宇國際股份有限公司